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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 2018**

#### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

## 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 2018, together with the comparative figures for the six months ended 30 June 2017, which are presented in Hong Kong dollars (“**HK\$**”).

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	4, 5	<b>17,234</b>	19,582	<b>29,455</b>	31,497
Cost of sales		<b>(13,564)</b>	(12,259)	<b>(23,097)</b>	(20,524)
Gross profit		<b>3,670</b>	7,323	<b>6,358</b>	10,973
Other income and gains	5	<b>1,422</b>	58	<b>874</b>	58
Selling and distribution expenses		<b>(1,911)</b>	(1,421)	<b>(3,468)</b>	(2,516)
Administrative expenses		<b>(4,417)</b>	(2,472)	<b>(9,067)</b>	(4,843)
Other expenses		–	(3,454)	<b>(360)</b>	(5,398)
Finance costs	7	<b>(159)</b>	(651)	<b>(404)</b>	(1,251)
LOSS BEFORE TAX	6	<b>(1,395)</b>	(617)	<b>(6,067)</b>	(2,977)
Income tax credit/(expense)	8	–	(368)	<b>857</b>	(247)
LOSS FOR THE PERIOD		<b>(1,395)</b>	(985)	<b>(5,210)</b>	(3,224)
LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT		<b>(1,395)</b>	(985)	<b>(5,210)</b>	(3,224)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	10				
Basic and diluted (expressed in HK cents per share)		<b>(0.17)</b>	(0.16)	<b>(0.65)</b>	(0.54)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	For the three months ended 30 June		For the six months ended 30 June	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
LOSS FOR THE PERIOD	<u>(1,395)</u>	<u>(985)</u>	<u>(5,210)</u>	<u>(3,224)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Available-for-sale investment:				
Change in fair value	-	-	-	120
Income tax effect	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19)</u>
	-	-	-	101
Exchange differences on translation of foreign operations	<u>(4,587)</u>	<u>2,614</u>	<u>(642)</u>	<u>2,262</u>
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD, NET OF TAX	<u>(4,587)</u>	<u>2,614</u>	<u>(642)</u>	<u>2,363</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>(5,982)</u>	<u>1,629</u>	<u>(5,852)</u>	<u>(861)</u>
ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>(5,982)</u>	<u>1,629</u>	<u>(5,852)</u>	<u>(861)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<i>Notes</i>	<b>As at 30 June 2018 HK\$'000 (unaudited)</b>	<b>As at 31 December 2017 HK\$'000 (audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>11</i>	<b>11,419</b>	6,902
Available-for-sale investment		–	4,474
Financial assets at fair value through profit or loss		<b>4,531</b>	–
Prepayments, deposits and other receivables	<i>14</i>	<b>1,139</b>	2,165
Deferred tax assets		<b>2,161</b>	1,338
Total non-current assets		<b>19,250</b>	14,879
<b>CURRENT ASSETS</b>			
Inventories	<i>12</i>	<b>13,998</b>	9,995
Trade receivables	<i>13</i>	<b>19,403</b>	24,900
Prepayments, deposits and other receivables	<i>14</i>	<b>15,516</b>	12,665
Pledged deposits		–	9,000
Cash and cash equivalents		<b>37,517</b>	57,920
Total current assets		<b>86,434</b>	114,480
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>15</i>	<b>6,975</b>	9,269
Other payables and accruals	<i>16</i>	<b>7,437</b>	15,709
Interest-bearing bank borrowings	<i>17</i>	<b>16,753</b>	22,627
Tax payable		<b>573</b>	1,943
Total current liabilities		<b>31,738</b>	49,548
<b>NET CURRENT ASSETS</b>		<b>54,696</b>	64,932
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>73,946</b>	79,811
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>215</b>	215
Other payables and accruals	<i>16</i>	<b>1,499</b>	1,512
Total non-current liabilities		<b>1,714</b>	1,727
Net assets		<b>72,232</b>	78,084
<b>EQUITY</b>			
Share capital	<i>18</i>	<b>8,000</b>	8,000
Reserves		<b>64,232</b>	70,084
Total equity		<b>72,232</b>	78,084

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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>	Available- for-sale revaluation reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits/ (Accumulated losses) <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1 January 2017 (audited)	–	–	40,000	5,670	(966)	6,293	10,388	61,385
Loss for the period	–	–	–	–	–	–	(3,224)	(3,224)
Other comprehensive loss for the period:								
Change in fair value of an available- for-sale investment, net of tax	–	–	–	–	101	–	–	101
Exchange differences on translation of foreign operations	–	–	–	–	–	2,262	–	2,262
Total comprehensive income/(loss) for the period	–	–	–	–	101	2,262	(3,224)	(861)
As at 30 June 2017 (unaudited)	–	–	40,000	5,670	(865)	8,555	7,164	60,524
As at 1 January 2018	8,000	57,751	(1,000)	5,670	(825)	11,290	(2,802)	78,084
HKFRS 9 adjustment on retained earnings	–	–	–	–	825	–	(825)	–
As at 1 January 2018 (after adjustment)	8,000	57,751	(1,000)	5,670	–	11,290	(3,627)	78,084
Loss for the period	–	–	–	–	–	–	(5,210)	(5,210)
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	–	–	–	–	–	(642)	–	(642)
Total comprehensive loss for the period	–	–	–	–	–	(642)	(5,210)	(5,852)
As at 30 June 2018 (unaudited)	8,000	57,751	(1,000)	5,670	–	10,648	(8,837)	72,232

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2018</b>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Net cash flows from/(used in) operating activities	<b>(17,219)</b>	1,733
Net cash flows from/(used in) investing activities	<b>4,499</b>	(4,570)
Net cash flows used in financing activities	<b>(7,660)</b>	(110)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(20,380)</b>	(2,947)
Cash and cash equivalents at the beginning of period	<b>57,920</b>	(4,217)
Effect of foreign exchange rate changes, net	<b>(775)</b>	153
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b><u>36,765</u></b>	<u>7,011</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 shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 December 2017.

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

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

### 2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018 (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 Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and.

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 2017.

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 2017, except for the adoption of new and revised standards with effect from 1 January 2018 as detailed in note 3 below.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these Financial Statements.

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

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

#### 4. OPERATING SEGMENT INFORMATION

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

##### Geographical information

###### (a) Revenue from external customers

	Three months ended 30 June		Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Mainland China	10,473	10,819	17,589	16,524
Overseas	5,767	5,948	10,042	11,505
Hong Kong	994	2,815	1,824	3,468
	<u>17,234</u>	<u>19,582</u>	<u>29,455</u>	<u>31,497</u>

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

###### (b) Non-current assets

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Mainland China	12,165	8,671
Hong Kong	393	396
	<u>12,558</u>	<u>9,067</u>

The non-current asset information is based on the locations of the assets and excludes deferred tax assets, an available-for-sale investment and financial assets at fair value through profit or loss.



## 5. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue, other income and gains is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
<b>Revenue</b>				
Sales of goods	<u>17,234</u>	<u>19,582</u>	<u>29,455</u>	<u>31,497</u>
<b>Other income and gains</b>				
Bank interest income	8	1	10	1
Exchange gains, net	877	-	207	-
Fair value gain on financial assets at fair value through profit or loss	-	-	57	-
Gain on disposal of items of property, plant and equipment	261	57	-	57
Gross rental income	<u>276</u>	<u>-</u>	<u>600</u>	<u>-</u>
	<u>1,422</u>	<u>58</u>	<u>874</u>	<u>58</u>

## 6. LOSS BEFORE TAX

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

	For the three months ended 30 June		For the six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Cost of inventories sold	13,564	12,259	23,097	20,524
Depreciation	94	91	174	191
Recognition of prepaid lease payments for buildings	82	70	164	139
Minimum lease payments under operating leases:				
Land and building and office equipment	428	489	865	808
Auditor's remuneration	490	293	790	593
Employees' benefit expenses (excluding directors' remuneration)	4,662	3,349	10,142	6,957
Net exchange loss/(gain)	(877)	448	(207)	791
(Gain)/Loss on disposal of fixed assets	(261)	(57)	322	(57)
Listing expenses	-	2,668	-	4,267
Fair value gain on financial assets at fair value through profit or loss	<u>1</u>	<u>-</u>	<u>(57)</u>	<u>-</u>

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Interest on bank loans and overdrafts	<u>159</u>	<u>651</u>	<u>404</u>	<u>1,251</u>

## 8. INCOME TAX

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

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

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiaries which operate in Mainland China are subject to corporate income tax at a rate of 25% on the taxable income.

	For the three months ended 30 June		For the six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Current — Hong Kong and Mainland China	-	90	-	112
Deferred	<u>-</u>	<u>278</u>	<u>(857)</u>	<u>135</u>
Tax (credit)/expense	<u>-</u>	<u>368</u>	<u>(857)</u>	<u>247</u>

## 9. DIVIDENDS

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

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

	For the three months ended 30 June		For the six months ended 30 June	
	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
Loss attributable to owners of the parent (HK\$'000)	<u>1,395</u>	<u>985</u>	<u>5,210</u>	<u>3,224</u>
Number of shares	<u>800,000,000</u>	<u>600,000,000</u>	<u>800,000,000</u>	<u>600,000,000</u>
Basic and diluted loss per share (HK cents)	<u>0.17</u>	<u>0.16</u>	<u>0.65</u>	<u>0.54</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 2018 (audited)	5,563	222	144	973	6,902
Additions	6,340	89	10	523	6,962
Disposals	(2,000)	(71)	–	(77)	(2,148)
Depreciation charge for the period	(66)	(31)	(19)	(58)	(174)
Exchange adjustment	(101)	(5)	–	(17)	(123)
	<u>9,736</u>	<u>204</u>	<u>135</u>	<u>1,344</u>	<u>11,419</u>
Net carrying amount at 30 June 2018 (unaudited)	<u>9,736</u>	<u>204</u>	<u>135</u>	<u>1,344</u>	<u>11,419</u>

## 12. INVENTORIES

	As at 30 June 2018 <i>HK\$'000</i> (unaudited)	As at 31 December 2017 <i>HK\$'000</i> (audited)
Raw materials	5,909	4,586
Work in progress	3,346	1,563
Finished goods	4,743	3,846
	<u>13,998</u>	<u>9,995</u>

## 13. 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 2018 <i>HK\$'000</i> (unaudited)	As at 31 December 2017 <i>HK\$'000</i> (audited)
Within 1 month	7,760	16,428
1 to 2 months	3,757	4,113
2 to 3 months	2,201	664
Over 3 months	5,685	3,695
	<u>19,403</u>	<u>24,900</u>

#### 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2018 <i>HK\$'000</i> (unaudited)	As at 31 December 2017 <i>HK\$'000</i> (audited)
Prepaid lease payments for buildings <sup>(Note)</sup>	1,318	1,890
Other prepayments	5,420	2,302
Deposits and other receivables	9,917	10,638
	<u>16,655</u>	<u>14,830</u>
Portion classified as non-current assets	<u>(1,139)</u>	<u>(2,165)</u>
Current portion included in prepayments, deposits and other receivables	<u>15,516</u>	<u>12,665</u>

*Note:* It represents prepaid lease payments for buildings held under operating leases for 15 to 20 years. It was recognised in profit or loss over the lease term and the portion to be recognised within 1 year is classified as a current asset.

#### 15. 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 2018 <i>HK\$'000</i> (unaudited)	As at 31 December 2017 <i>HK\$'000</i> (audited)
Within 1 month	1,988	2,620
1 to 2 months	757	1,200
2 to 3 months	529	1,045
Over 3 months	3,701	4,404
	<u>6,975</u>	<u>9,269</u>

## 16. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2018 <i>HK\$'000</i> (unaudited)	As at 31 December 2017 <i>HK\$'000</i> (audited)
Other payables and accruals	8,793	17,182
Advance from customers	–	39
Contract liabilities	<u>143</u>	<u>–</u>
	<b>8,936</b>	17,221
Portion classified as non-current liabilities	<u>(1,499)</u>	<u>(1,512)</u>
	<b>7,437</b>	<b>15,709</b>

The current portion of other payables and accruals are unsecured, interest-free and repayable on an average term of three months.

The non-current portion of other payables and accruals represents the differences between contractual minimum lease payments and accrued minimum lease payments on a straight-line basis for the Group's leasehold land over the lease term. The non-current portion of other payables and accruals is unsecured and interest-free and would be subsequently settled upon the gradual maturity of the lease agreements.

## 17. INTEREST-BEARING BANK BORROWINGS

	30 June 2018		
	Effective interest rate (%)	Maturity	<i>HK\$'000</i>
Current Bank loans — secured	<u>3.2 to 6.0</u>	<u>On demand</u>	<u>16,753</u>
	31 December 2017		
	Effective interest rate (%)	Maturity	<i>HK\$'000</i>
Current Bank loans — secured	<u>3.8 to 6.0</u>	<u>On demand</u>	<u>22,627</u>

All the interest-bearing bank borrowings are repayable on demand as at 30 June 2018 and 31 December 2017, respectively.

Interest-bearing bank borrowings are denominated in:

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
HK\$	<b>8,445</b>	15,006
United States Dollar (“US\$”)	<b>8,308</b>	7,621
	<b><u>16,753</u></b>	<b><u>22,627</u></b>

Notes:

- (a) HK Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause issued by the HKICPA requires that a loan which includes a clause that gives the lender the unconditional right to call in the loan at any time (“**repayment on demand clause**”) shall be classified in total by the borrower as current in the statement of financial position. Interest-bearing bank loans and overdrafts of the Group in the amount of HK\$16,753,000 (2017: HK\$22,627,000) include a repayment on demand clause under the relevant loan agreements, among which balances amounting to HK\$885,590 (2017: HK\$2,753,000) that are repayable after one year from 30 June 2018 have been classified as current liabilities. For the purpose of the above analysis, such loans are included within current secured bank loans and analysed into bank loans repayable on demand.
- (b) The Group’s bank facilities (including overdraft facilities) amounted to HK\$21,202,000 (2017: HK\$29,637,000), of which HK\$16,753,000 (2017: HK\$22,627,000) had been utilised as at 30 June 2018.
- (c) The following assets were pledged as security for interest-bearing bank borrowings:

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Financial assets at fair value through profit or loss	<b>4,531</b>	–
Available-for-sale investment	–	4,474
Trade receivables	<b>6,569</b>	12,593
Pledged deposits	–	9,000
	<b><u>11,100</u></b>	<b><u>26,067</u></b>

## 18. SHARE CAPITAL

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

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
<b>Authorised:</b>		
5,000,000 Ordinary shares at HK\$0.01 each	<u>50,000</u>	<u>50,000</u>
<b>Issued and fully paid:</b>		
800,000,000 Ordinary shares at HK\$0.01 each	<u>8,000</u>	<u>8,000</u>

## 19. 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 payable, interest-bearing bank borrowings and financial liabilities included in other payables.

### Management has assessed that:

- (a) the fair values of the Group's financial assets classified as loans and receivables 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 (2017: available-for-sale investment) 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 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INTRODUCTION

The Group is principally engaged in the manufacturing and selling of sewing threads. It currently manufactures polyester sewing threads, which are mainly used for garments. The major product of the Group is 100% spun polyester sewing threads. Other types of sewing threads are also offered, including textured polyester series, elastic filament sewing threads and weft yarn. The Group's customers are located in the People's Republic of China (the "PRC"), Hong Kong as well as overseas countries, including United Arab Emirates ("UAE"), Mauritius, Australia, Germany and the United Kingdom. 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**").

### BUSINESS REVIEW

The Group is principally engaged in the manufacturing and selling of sewing threads. It currently manufactures polyester sewing threads, which are mainly used for garments. The major product of the Group is 100% spun polyester sewing threads. Other types of sewing threads are also offered, including textured polyester series, elastic filament sewing threads and weft yarn. The Group's customers are located in the People's Republic of China (the "PRC"), Hong Kong as well as overseas countries, including United Arab Emirates ("UAE"), Mauritius, Australia, Germany and the United Kingdom. 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 2018, the Group's revenue decreased slightly by approximately 6.5% as compared with that for the six months ended 30 June 2017. The gross profit margin decreased to approximately 21.6% for the six months ended 30 June 2018 from 34.8% for the corresponding period in the preceding year. The decrease in gross profit margin was mainly attributable to the appreciation of the Renminbi against the Hong Kong dollars, the significant increase in direct material costs, processing fees and staff costs. On 15 December 2017, the shares of the Company (the "**Share(s)**") were successfully listed on GEM of the Stock Exchange (the "**Listing**") by way of share offer (the "**Share Offer**"). After deducting all the relevant commission and expenses in relation to the Listing, approximately HK\$40.7 million net proceeds have been raised from the Listing. The Group will utilise such net proceeds by implementing the corporate plans in accordance with the business strategies as set out under the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 30 November 2017 (the "**Prospectus**"). Further details are set out in the section headed "Use of proceeds" in this interim results announcement.



## 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 2017 and 2018:

	Six months ended 30 June				Rate of change %
	2018		2017		
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	
PRC	17,589	59.7	16,524	52.5	6.4
Hong Kong	1,824	6.2	3,468	11.0	(47.4)
Overseas (Note)	10,042	34.1	11,505	36.5	(12.7)
	<u>29,455</u>	<u>100.0</u>	<u>31,497</u>	<u>100.0</u>	<u>(6.5)</u>

*Note:* For the six months ended 30 June 2017 and 2018, the Group exported its products to countries including but not limited to UAE, Mauritius, Australia, Germany and the United Kingdom.

The Group's revenue decreased to approximately HK\$29.5 million for the six months ended 30 June 2018 from approximately HK\$31.5 million for the six months ended 30 June 2017, representing a decrease of approximately 6.5%. Such decrease in the Group's revenue was mainly attributable to the decrease in sales in the Hong Kong and overseas market.

### Cost of sales

The Group's cost of sales primarily consists of direct material costs, processing fees and staff costs. The cost of sales increased to approximately HK\$23.1 million for the six months ended 30 June 2018 from approximately HK\$20.5 million for the six months ended 30 June 2017, representing an increase of approximately 12.5%. The Group's cost of sales increased as a result of the significant increase in direct material costs, processing fees and staff costs for the six months ended 30 June 2018.

### Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK\$6.4 million for the six months ended 30 June 2018 from approximately HK\$11.0 million for the six months ended 30 June 2017, representing a decrease of approximately 42.1%. The decrease was mainly attributable to the appreciation of Renminbi against the Hong Kong dollar as well as the significant increase in the direct material costs, processing fees and staff costs. The Group's gross profit margin significantly decreased to approximately 21.6% for the six months ended 30 June 2018 from approximately 34.8% for the six months ended 30 June 2017, which was as a result of the aforementioned reasons.

### **Other gains/(losses), net**

The Group recognised other gains of approximately HK\$0.5 million for the six months ended 30 June 2018 as opposed to other losses of approximately HK\$5.3 million, which was recognised for the six months ended 30 June 2017. The significant change was mainly attributable to the fact that no listing expenses had been recognised for the six months ended 30 June 2018.

### **Selling expenses**

Selling expenses mainly consist of staff costs, transportation expenses, office expenses and depreciation. Selling expenses increased to approximately HK\$3.5 million for the six months ended 30 June 2018 from approximately HK\$2.5 million for the six months ended 30 June 2017, representing an increase of approximately 37.8%. The increase in the Group's selling expenses was mainly attributable to an increase in staff costs and travelling expenses.

### **Administrative expenses**

Administrative expenses primarily consist of staff costs, management fee, rental expenses, directors' remuneration, depreciation and office expenses. Administrative expenses significantly increased to approximately HK\$9.1 million for the six months ended 30 June 2018 from approximately HK\$4.8 million for the six months ended 30 June 2017, representing an increase of approximately 87.2%. Such increase was mainly attributable to the significant increase in the remuneration of Directors, senior management fees as well as legal and professional fees.

### **Listing expenses**

For the six months ended 30 June 2018, the Group did not recognise any listing expenses. In contrast, listing expenses of approximately HK\$4.6 million were recorded for the six months ended 30 June 2017.

### **Loss before income tax**

As a result of the foregoing, the Group's loss before income tax significantly increased by approximately 103.8%, or approximately HK\$3.1 million, from approximately HK\$3.0 million for the six months ended 30 June 2017 to approximately HK\$6.1 million for the six months ended 30 June 2018.

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

The total comprehensive loss attributable to owners of the Company increased to approximately HK\$5.9 million for the six months ended 30 June 2018 from approximately HK\$0.9 million for the six months ended 30 June 2017, representing an increase of approximately 579.7%.

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

The Company's basic loss per Share for the six months ended 30 June 2018 was approximately HK 0.65 cents (2017: HK 0.54 cents), representing an increase of approximately HK 0.11 cents, or approximately 20.4%, which is in line with the loss for the period attributable to the owners of the parent, when compared to the six months ended 30 June 2017.

## **Interim dividend**

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2018 (2017: Nil).

## **Liquidity and Financial Resources**

For the six months ended 30 June 2018, the Group's operations were primarily financed through its 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 activities and financing activities.

The Group's cash and bank balances amounted to approximately HK\$37.5 million and approximately HK\$57.9 million as at 30 June 2018 and 31 December 2017, respectively. The functional currency of the Group is Hong Kong dollars. As at 30 June 2018, 94.7% of the Group's cash and bank balances were denominated in the functional currency (31 December 2017: 96.4%) and the remaining 5.3% (31 December 2017: 3.6%) in other currencies, mainly Renminbi.

As at 30 June 2018 and 31 December 2017, the Group had net current assets of approximately HK\$54.7 million and approximately HK\$64.9 million, respectively, which included trade receivables, prepayments, deposits and other receivables, inventories, cash and cash equivalents and pledged deposits. The Group's current ratio increased to approximately 2.7 as at 30 June 2018 from approximately 2.3 as at 31 December 2017 due to the decrease in bank loans and trade payables during the six months ended 30 June 2018. The Group's bank borrowings decreased from approximately HK\$22.6 million as at 31 December 2017 to approximately HK\$16.8 million as at 30 June 2018. Such decrease was mainly due to the sufficient cash flows for the six months ended 30 June 2018.

## **Gearing Ratio**

The Group's gearing ratio is calculated based on net debt (including interest-bearing bank borrowings, trade payables and other payables and accruals, 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 2018 and 31 December 2017 as its cash and bank balances were more than its bank borrowings. The Group believes that the cash at banks and the bank borrowings provide adequate liquidity to satisfy the Group's funding requirements.

## Commitments

The Group's operating lease commitments were primarily related to leases of land and buildings, production machinery and office equipment. As at 30 June 2018 and 31 December 2017, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 30 June 2018 <i>HK\$'000</i> (unaudited)	As at 31 December 2017 <i>HK\$'000</i> (audited)
Within one year	1,845	1,930
In the second to fifth years, inclusive	6,233	6,485
After five years	438	884
	<u>8,516</u>	<u>9,299</u>

As at 30 June 2018, other than the abovementioned operating lease commitments, the Group did not have any significant capital commitments (as at 31 December 2017: HK\$6.6 million).

## Capital Structure

There has been no change in the capital structure of the Group since the Listing. The share capital of the Group only comprises ordinary Shares.

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

Details of changes in the Company's share capital for the six months ended 30 June 2018 are set out in note 18 to the consolidated financial statements of this interim results announcement.

## Significant Investments

As at 30 June 2018, the Group did not hold any significant investments (as at 30 June 2017: Nil).

## Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies

On 22 June 2017, the Group completed a group reorganisation (the "**Reorganisation**"), details of which are set out in the section headed "History, Reorganisation and Corporate Structure" of the Prospectus. Subsequent to the completion of the Reorganisation and up to 30 June 2018, the Group did not have any acquisitions or disposals of subsidiaries and affiliated companies.

## Future Plans for Material Investments and Capital Assets

Save as those disclosed in the Prospectus, the Group currently has no other plans for material investments and capital assets.

## Contingent Liabilities

As at 30 June 2018, the Group did not have material contingent liabilities (as at 30 June 2017: Nil).

## Foreign Exchange Exposure

The Group is exposed to foreign currency risk when it enters into transactions which are not denominated in the Group's functional currency. Such exposure mainly relates to the distribution and sale of the Group's products and purchases of raw materials in the PRC. The Group currently does not have a foreign currency hedging policy. Yet, the Group's management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

## Pledge of Assets

For each of the six months ended 30 June 2017 and 2018, the following assets were pledged to banks to secure certain banking borrowings granted to the Group:

	<b>As at 30 June 2018 HK\$'000 (unaudited)</b>	<b>As at 31 December 2017 HK\$'000 (audited)</b>
Financial asset at fair value through profit or loss	<b>4,531</b>	–
Available-for-sale investment	–	4,474
Trade receivables	<b>6,569</b>	12,593
Pledged deposits	–	9,000
	<b><u>11,100</u></b>	<b><u>26,067</u></b>

## Employees and Remuneration Policies

As at 30 June 2018, the Group employed a total of 178 employees (2017: 206), of whom 173 were located in the PRC and 5 were located in Hong Kong. The Group's staff costs mainly comprised salary, social insurance and housing provident fund. For the six months ended 30 June 2018 and 2017, the Group's total staff costs (excluding Directors' emoluments) amounted to approximately HK\$10.1 million and HK\$7.0 million, respectively. The Group offers remuneration packages comprising basic salaries, discretionary bonuses and allowances to its management and office staff. For the workers at the Guangzhou Production Facilities, the Group offers them with salaries above the minimum wage, provides them with promotion opportunities and allows them budgets for social events such as birthday celebrations.

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 of Directors, employment conditions elsewhere in the Group and 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 employee (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 interim results announcement, no share options have been granted pursuant to the Share Option Scheme.

## **USE OF PROCEEDS**

The Shares were successfully listed on GEM of the Stock Exchange on 15 December 2017 (the “**Listing Date**”). 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 2018, the unutilised Net Proceeds amounted to approximately HK\$30.4 million.

The following table sets forth a breakdown of the use of the Net Proceeds during the period from the Listing Date up to 30 June 2018:

	<b>Net proceeds available immediately after Listing <i>HK\$ million</i></b>	<b>Proceeds utilised for the year ended 31 December 2017 <i>HK\$ million</i></b>	<b>Proceeds utilised for the six months ended 30 June 2018 <i>HK\$ million</i></b>	<b>Unutilised proceeds as at 30 June 2018 <i>HK\$ million</i></b>
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	–	–	4.1
Acquiring new machinery for the production of nylon threads	3.7	–	1.1	2.6
Setting up a sales office in Zhejiang province	1.2	–	0.2	1.0
Working capital and other general corporate purposes of the Group	3.7	–	3.7	–
	<u>40.7</u>	<u>–</u>	<u>10.3</u>	<u>30.4</u>

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 interim results 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 six 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 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 ordered one cone winding machine.
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	The Group has leased a premises in Zhejiang Province for its sales office.
	— Renovate the sales office	
	— Purchase office equipment	The sales office is undergoing renovation.

## **Future Prospects**

The Directors envisage that there are considerable business opportunities in the sewing threads industry. With the financial position strengthened and credibility enhanced from the Listing, the Group is confident in capturing more business opportunities in the sewing threads industry and implementing its expansion plan set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.



The Group places much emphasis on satisfying customers' needs with high quality and differentiated products and thus maintaining long-term business relationships with its customers. Apart from the machinery upgrade and acquisition, the Company plans to set up a sales office in Zhejiang province with a view to expanding its sales network and exploring new business opportunities to further promote growth of the Group.

## OTHER INFORMATION

### Interests and Short Positions of Directors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and any Associated Corporation

As at 30 June 2018, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO"), which were 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); or (b) recorded in the register required to be kept under section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director	Nature of interest/ Holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company (Note 1)
Mr. Wong Kwok Wai, Albert	Interest of a controlled corporation	600,000,000 (L) (Notes 2, 3)	75%

Notes:

- As at the date of this interim results announcement, the Company's issued ordinary share capital was HK\$8,000,000 divided into 800,000,000 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, 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 2018, none of the Directors or the chief executive of the Company had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the 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 2018, the following persons or corporations (other than the Directors and the chief executive of the Company) who had interests and/or short positions in the shares or underlying shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

<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	600,000,000 (L) (Notes 2, 3)	75%

*Notes:*

1. As at the date of this interim results announcement, the Company's issued ordinary share capital was HK\$8,000,000 divided into 800,000,000 Shares of HK\$0.01 each.
2. Three Gates Investment, a company incorporated in the British Virgin Islands on 15 August 2016, is wholly and beneficially owned by Mr. Wong 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.
3. The letter "L" denotes the person's long position in the Shares.

Except as disclosed above, as at 30 June 2018, 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 2018 and up to the date of this interim results 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.

## **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 interim results 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.

## **Interests of the Compliance Adviser**

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

## **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 interim results announcement.

## **Events after the Reporting Period**

There is no significant event subsequent to 30 June 2018 which would materially affect the Group's operating and financial performance.

## **AUDIT COMMITTEE**

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), Dr. Yeung Ngai Man, John and Mr. To King Yan, Adam. No member of the current Audit Committee is a member of the previous independent auditor of the Company. The Audit Committee has reviewed this interim results announcement as well as the consolidated results of the Group for the six months ended 30 June 2018.

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

Hong Kong, 7 August 2018

*As at the date of this announcement, the executive Directors are Mr. Wong Kwok Wai, Albert, Mr. Lee Wing Hong and Mr. Yu Miaogen; the non-executive Directors are Mr. Ng Chan Lam and Mr. Gao Biao; and the independent non-executive Directors are Mr. To King Yan, Adam, Dr. Yeung Ngai Man, John and Mr. Sung Alfred Lee Ming.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://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](http://www.shenyouholdings.com).*