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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 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.*

ANNUAL RESULTS

The board of Directors (the “**Board**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020, which are presented in Hong Kong dollars (“**HK\$**”).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	73,365	44,984
Cost of sales		(58,573)	(34,537)
Gross profit		14,792	10,447
Other gains (losses), net	5	4,269	(1,077)
Selling and distribution expenses		(7,023)	(5,745)
Administrative expenses		(23,356)	(13,942)
Impairment loss on financial assets, net		(1,520)	(146)
Impairment loss on non-financial assets, net		—	(1,465)
Impairment loss on goodwill		(12,103)	—
Other expenses		(1,634)	(3,302)
Finance costs		(666)	(365)
Loss before tax		(27,241)	(15,595)
Income tax expense	6	—	—
Loss for the year	7	(27,241)	(15,595)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		1,504	4,090
Other comprehensive income for the year, net of income tax		1,504	4,090
Total comprehensive expense for the year		(25,737)	(11,505)
ATTRIBUTABLE TO OWNERS OF THE COMPANY		(25,737)	(11,505)
Loss per share			
Basic and diluted (HK cents)	9	(7.43)	(6.22)

Consolidated Statement of Financial Position

At 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		7,814	4,090
Investment properties		4,361	—
Right-of-use assets		3,383	3,763
Goodwill		6,683	—
Biological assets		7,059	—
Financial asset at fair value through profit or loss ("FVTPL")		5,253	5,144
		34,553	12,997
CURRENT ASSETS			
Inventories		14,050	12,070
Biological assets		10,512	—
Trade receivables	<i>10</i>	16,027	10,034
Contract assets		2,823	—
Deposit and other receivables	<i>10</i>	15,744	14,121
Cash and bank balances		27,277	11,918
		86,433	48,143
CURRENT LIABILITIES			
Trade payables	<i>11</i>	7,391	5,510
Other payables and accruals	<i>11</i>	11,175	4,583
Bank borrowings	<i>12</i>	5,809	—
Lease liabilities		2,818	1,956
Tax payables		804	641
		27,997	12,690
NET CURRENT ASSETS		58,436	35,453
TOTAL ASSETS LESS CURRENT LIABILITIES		92,989	48,450
NON-CURRENT LIABILITY			
Lease liabilities		1,224	2,842
NET ASSETS		91,765	45,608
CAPITAL AND RESERVES			
Share capital	<i>13</i>	20,457	12,000
Reserves		71,308	33,608
TOTAL EQUITY		91,765	45,608

NOTES TO FINANCIAL STATEMENTS

1. GENERAL

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 year, the Company's subsidiaries were principally engaged in the manufacture and selling of sewing threads and broad categories of garment accessories, provision of interior design, interior decoration and furnishing services, and provision of equine related services and investment in stallions.

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 ("Mr. Wong").

The functional currency of the Company is Hong Kong Dollars ("HK\$"), which is also the presentation currency of Company.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the disclosure requirements of the Hong Kong Companies Ordinances.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	COVID-19 Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the “**Conceptual Framework**”) instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and (Note)
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

Except from above, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. SEGMENT INFORMATION

Information reported to the board of directors of the Company (the “**Board**”), being the chief operating decision maker (“**CODM**”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

During the year, the Group commenced the business engaging in interior design and decoration service along with the acquisition of Diamond Motto Limited and its subsidiaries, together with the equine services, they are considered as the new operating and reportable segments by the CODM.

The Group now has three reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The Group has three reportable segments under HKFRS 8 as follows:

Manufacture and selling of sewing threads

- manufacture and selling of high performance sewing threads and broad categories of garment accessories

Interior design and decoration

- provision of interior design, interior decorating and furnishing services

Equine services

- provision of stallion service, trading and breeding of bloodstocks.

(a) **Segment revenues and results**

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the year ended 31 December 2021

	Manufacture and selling of sewing threads <i>HK\$'000</i>	Interior design and decoration <i>HK\$'000</i>	Equine services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue from external customers	<u>54,517</u>	<u>18,057</u>	<u>791</u>	<u>73,365</u>
Reportable segment profit (loss)	<u>(6,979)</u>	<u>1,999</u>	<u>(380)</u>	<u>(5,360)</u>
Corporated and unallocated expense				<u>(21,881)</u>
Group's profit (loss) before tax				<u>(27,241)</u>

For the year ended 31 December 2020

	Manufacture and selling of sewing threads <i>HK\$'000</i>	Interior design and decoration <i>HK\$'000</i>	Equine services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue from external customers	<u>44,984</u>	<u>—</u>	<u>—</u>	<u>44,984</u>
Reportable segment loss	<u>(3,704)</u>	<u>—</u>	<u>—</u>	<u>(3,704)</u>
Corporated and unallocated expense				<u>(11,891)</u>
Group's (loss) before tax				<u>(15,595)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by/loss from each segment without allocation of central administration costs, directors' emoluments and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

For the year ended 31 December 2021

	Manufacture and selling of sewing threads <i>HK\$'000</i>	Interior design and decoration <i>HK\$'000</i>	Equine services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	42,482	26,709	21,457	90,648
Corporate and unallocated assets				<u>30,338</u>
				<u><u>120,986</u></u>
Reportable segment liabilities	(13,949)	(11,487)	(3,038)	(28,474)
Corporate and unallocated liabilities				<u>(747)</u>
				<u><u>(29,221)</u></u>

For the year ended 31 December 2020

	Manufacture and selling of sewing threads <i>HK\$'000</i>	Interior design and decoration <i>HK\$'000</i>	Equine services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	49,730	—	—	49,730
Corporate and unallocated assets				<u>11,410</u>
				<u><u>61,140</u></u>
Reportable segment liabilities	(13,833)	—	—	(13,833)
Corporate and unallocated liabilities				<u>(1,699)</u>
				<u><u>(15,532)</u></u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets other than certain of the Group's property, plant and equipment, right-of-use assets, other receivables, financial assets at FVTPL and cash and cash equivalents are allocated to operating segments; and
- all liabilities other than certain of the Group's other payables and lease liabilities are allocated to operating segments

(c) Other segment information

For the year ended 31 December 2021

	Manufacture and selling of sewing threads <i>HK'000</i>	Interior design and decoration <i>HK'000</i>	Equine services <i>HK'000</i>	Unallocated <i>HK'000</i>	Total <i>HK'000</i>
Amounts included in the measure of segment profits or loss or segment assets:					
Addition to property, plant and equipment	1,596	543	—	516	2,655
Additions to right-of-used assets	—	252	—	765	1,017
Addition to biological assets	—	—	15,230	—	15,230
Depreciation of property, plant and equipment	1,139	667	—	140	1,946
Depreciation of right-of-use assets	1,584	123	—	254	1,961
Fair value gains (losses) on financial assets at FVTPL, net	136	—	—	(90)	46
Impairment loss recognised on trade and other receivables, net of reversal	1,453	52	—	15	1,520
Loss on disposals of property, plant and equipment	<u>1,599</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,599</u>

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

	Manufacture and selling of sewing threads <i>HK'000</i>	Interior design and decoration <i>HK'000</i>	Equine services <i>HK'000</i>	Unallocated <i>HK'000</i>	Total <i>HK'000</i>
Addition to non-current assets —					
goodwill	—	18,786	—	—	18,786
Impairment on goodwill	—	12,103	—	—	12,103
Government grant	47	—	—	—	47
Interest income	158	—	—	—	158
Finance costs	255	381	—	30	666
Other gains (losses)	<u>3,312</u>	<u>71</u>	<u>1,250</u>	<u>(364)</u>	<u>4,269</u>

For the year ended 31 December 2020

	Manufacture and selling of sewing threads <i>HK'000</i>	Interior design and decoration <i>HK'000</i>	Equine services <i>HK'000</i>	Unallocated <i>HK'000</i>	Total <i>HK'000</i>
Amounts included in the measure of segment profits or loss or segment assets:					
Addition to non-current assets	243	—	—	1,115	1,358
Depreciation of property, plant and equipment	1,059	—	—	13	1,072
Depreciation of right-of-use assets	1,674	—	—	—	1,674
Fair value gains (losses) on financial assets at FVTPL, net	73	—	—	(502)	(429)
Impairment loss recognised on trade and other receivables, net of reversal	146	—	—	—	146
Loss on disposals of property, plant and equipment	<u>1,049</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,049</u>

Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets:

	Manufacture and selling of threads services <i>HK'000</i>	Interior design and decoration <i>HK'000</i>	Equine services <i>HK'000</i>	Unallocated <i>HK'000</i>	Total <i>HK'000</i>
Government grants	324	—	—	135	459
Interest income	592	—	—	—	592
Finance costs	360	—	—	5	365
Other gains (losses)	847	—	—	(2,383)	(1,536)
	<u>847</u>	<u>—</u>	<u>—</u>	<u>(2,383)</u>	<u>(1,536)</u>

(d) Geographical information

The Group's operations are located in the PRC, Australia and Hong Kong. Information about the Group's revenue from continuing operations from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets*	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PRC	30,938	26,081	4,974	6,693
Hong Kong	42,427	18,903	10,584	1,160
Australia	—	—	7,059	—
	<u>73,365</u>	<u>44,984</u>	<u>22,617</u>	<u>7,853</u>

* Non-current assets excludes financial instruments and goodwill.

(e) **Information about major customers**

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	<u>15,401</u>	<u>12,663</u>

5. OTHER GAINS (LOSSES), NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Rental income	1,169	916
Fair value gains (losses) on financial assets at FVTPL, net	46	(429)
Fair value gains on investment properties	61	—
Exchange gain (losses), net	1,292	(3,082)
Fair value gains on biological assets	969	—
Interest income	158	592
Government grants (<i>Note</i>)	47	459
Gain on early termination of right-of-use assets	—	64
Others	527	403
	<u>4,269</u>	<u>(1,077)</u>

Note:

The amount represented the subsidy received from the Hong Kong government. There was no unfulfilled condition and other contingency attached to the receipt of subsidy.

6. INCOME TAX EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax	<u>—</u>	<u>—</u>

The Group is subjected 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% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for certain subsidiaries of the Group which is qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2020/2021. The first HK\$2,000,000 (2020: 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%.

No provision for corporate tax has been made for the Group's operation in Australia as such operation incurred loss for taxation purpose for the year of assessment 2021 (2020: nil).

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

7. LOSS FOR THE YEAR

Loss for the year is arrived at after charging:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration	1,111	1,774
Cost of inventories sold		
— Manufacture and sewing of threads	44,723	34,537
— Interior decorating and furnishing services	2,519	—
— Sales of furnishings	1,092	—
Depreciation of property, plant and equipment	1,946	1,092
Depreciation of right-of-use assets	1,961	1,674
Lease payments not included in the measurement of lease liabilities	349	127
Loss on disposal of property, plant and equipment	1,599	1,049
Employee benefit	19,263	14,475
Impairment loss recognised in respect of trade and other receivables	1,520	146
Impairment loss recognised in respect of goodwill	12,103	—
Impairment loss recognised in respect of property, plant and equipment	—	563
Impairment loss recognised in respect of right-of-use assets	—	902
	—————	—————

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

9. LOSS PER SHARE

Basic losses per share

	2021 <i>HK'000</i>	2020 <i>HK'000</i>
Losses		
Total loss attributable to owners of the parent	<u>(27,241)</u>	<u>(15,595)</u>
Shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>366,825,000</u>	<u>250,858,000</u>
Basic and diluted loss per share (HK cents) (<i>note</i>)	<u>(7.43)</u>	<u>(6.22)</u>

Note:

The diluted loss per share for the years ended 31 December 2021 and 2020 was the same as the basic loss per share as all the potential ordinary shares were anti-dilutive.

10. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables		17,402	10,367
Less: Allowance for credit losses		(1,375)	(333)
	<i>(a)</i>	16,027	10,034
Other prepayments		2,240	2,181
Loans to a vendor	<i>(b)</i>	2,456	3,542
Deposits and other receivables		15,655	11,959
		20,351	17,682
Less: Allowance for credit losses		(4,607)	(3,561)
		15,744	14,121

Notes:

- a) The Group's trading terms with its customers are mainly on credit. The credit period is generally from one to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. The Group had significant concentrations of credit risk as 14% (2020: 26%) of the trade receivables were derived from one (2020: one) customer as at 31 December 2021. The trade receivables from such customer were within the credit period. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	6,299	5,759
1 to 2 months	4,937	3,664
2 to 3 months	493	671
Over 3 months	5,673	273
	<hr/>	<hr/>
	17,402	10,367
Less: Allowance for credit losses	(1,375)	(333)
	<hr/>	<hr/>
	16,027	10,034
	<hr/> <hr/>	<hr/> <hr/>

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Neither past due nor impaired	5,874	8,462
1 to 3 months	5,292	1,572
Over 3 months	4,861	—
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	16,027	10,034
	<hr/> <hr/>	<hr/> <hr/>

- b) Loans to a vendor bear interest at rates 5.00% (2020: 5.00%) per annum, secured by certain machineries of the vendor and repayable in one to two years (2020: two to three years) with demand clause.

11. TRADE, OTHER PAYABLES AND ACCRUALS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables		
— from third parties	<u>7,391</u>	<u>5,510</u>
Other payables and accruals		
Contract liabilities	3,287	28
Other payables and accruals	<u>7,888</u>	<u>4,555</u>
Total other payables and accruals	<u>11,175</u>	<u>4,583</u>

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	3,519	1,714
1 to 2 months	1,577	1,448
2 to 3 months	690	878
Over 3 months	<u>1,605</u>	<u>1,470</u>
	<u>7,391</u>	<u>5,510</u>

The credit period in purchase of goods is generally from one to three months.

12. BANK BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank loans, secured	1,004	—
Bank overdrafts, secured	4,805	—
	<u>5,809</u>	<u>—</u>

The bank borrowings and bank overdraft are at floating interest rates that are market dependent and the carrying amounts approximate the fair values.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank borrowings, secured	P-1% to P-2.25%	—
Bank overdraft, secured	<u>P+1.75%</u>	<u>—</u>

All the interest-bearing bank borrowings were repayable on demand as at 31 December 2021.

The ranges of effective interest rates on the Group's bank borrowings as at 31 December 2021 ranged between 2.75% to 6.75% per annum.

13. SHARE CAPITAL

Ordinary shares	Number of shares <i>HK\$0.01 each</i>	Number of shares <i>HK\$0.05 each</i>	Amount <i>HK\$'000</i>
Authorised:			
At 1 January 2020	5,000,000,000	—	50,000
Share consolidation (<i>note (b)</i>)	<u>(5,000,000,000)</u>	<u>1,000,000,000</u>	<u>—</u>
At 31 December 2020, 1 January 2021 and 31 December 2021	<u>—</u>	<u>1,000,000,000</u>	<u>50,000</u>
Issued and fully paid:			
At 1 January 2020	800,000,000	—	8,000
Issue of new shares by way of rights issue (<i>note (a)</i>)	400,000,000	—	4,000
Share consolidation (<i>note (b)</i>)	<u>(1,200,000,000)</u>	<u>240,000,000</u>	<u>—</u>
	—	240,000,000	12,000
Issurance of new shares for acquisition of subsidiaries (<i>note (c)</i>)	—	67,441,860	3,372
Issue of ordinary shares (<i>note (d)</i>)	—	48,000,000	2,400
Issue of ordinary shares (<i>note (e)</i>)	—	<u>53,700,000</u>	<u>2,685</u>
At 31 December 2021	<u>—</u>	<u>409,141,860</u>	<u>20,457</u>

Notes:

- (a) 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, 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 Group's working capital and business development. Detailed terms of the Rights Issue and its results were set out in the Company's prospectus dated 20 May 2020 and the announcement dated 11 June 2020 respectively.
- (b) Pursuant to an extraordinary general meeting of the Company which was held on 21 August 2020 and the resolutions of the share consolidation of the Company involving consolidation of the number of shares on the basis that every five issued and unissued shares of HK\$0.01 each be consolidated into one consolidated share of HK\$0.05 each were approved, with effect from 25 August 2020.
- (c) On 18 August 2020, the Company and the vendors entered into the sale & purchase agreement for an aggregate consideration of HK\$14,500,000, which shall be satisfied by the Company by way of allotment and issue of an aggregate of 67,441,860 consideration shares at HK\$0.215 per consideration share. The allotment and issue of shares has been completed on 9 February 2021. For details, please refer to the Company's circular dated 13 January 2021 and announcement dated 9 February 2021.
- (d) On 19 January 2021, the Company entered into (i) a subscription agreement with a subscriber to allow and issue 24,000,000 new ordinary shares at a price of HK\$0.30 per subscription share; and (ii) a placing agreement with a placing agent to place 24,000,000 new ordinary shares at a price of HK\$0.30 per placing share. Total net proceeds of approximately HK\$13,950,000 from the subscription and placing were raised and used as general working capital of the Group and/or possible investment(s) in the future when opportunities arise. Such subscription and placing of shares was completed on 11 February 2021.
- (e) On 29 June 2021, the Company entered into (i) a subscription agreement with a subscriber to allow and issue 6,700,000 new ordinary shares at a price of HK\$0.60 per subscription share; and (ii) a placing agreement with a placing agent to place 47,000,000 new ordinary shares at a price of HK\$0.60 per placing share. Net proceeds of approximately HK\$31,161,000 after net of with legal fee amounting HK\$159,000 were raised and used (i) as to approximately HK\$19,320,000 for the development of the existing business of the Group and/or possible acquisition of and/or possible investment in business(es); (ii) as to approximately HK\$5,800,000 for the development of horse breeding business; and (iii) as to approximately HK\$6,200,000 for the general working capital of the Group. Such placing of shares was completed on 22 July 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

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 business review are set out in the above Chairman's Statement.

Business Review

For the year ended 31 December 2021, the Group's revenue increases to approximately HK\$73.4 million, representing an increase of approximately 63.1%, as compared to revenue of approximately HK\$45.0 million for the year ended 31 December 2020. The Group's net loss increases to approximately HK\$27.2 million for the year ended 31 December 2021 from approximately HK\$15.6 million for the year ended 31 December 2020, representing an increase of approximately 74.7%. Such increase in net loss was mainly due to the increase in impairment losses on goodwill of approximately HK\$12.1 million and increase in administrative expenses of approximately HK\$9.4 million during the year ended 31 December 2021 as compared to that for the year ended 31 December 2020.

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

The Group currently manufactures polyester sewing threads, which are mainly used for garments. The major product of the Group is 100% spun polyester sewing threads. Other types of sewing threads are also offered, including textured polyester series, elastic filament sewing threads and weft yarn. The Group's customers are located in the People's Republic of China (the "PRC"), Hong Kong as well as overseas countries, including but not limited to Middle East and Mauritius. 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. As part of the Group’s expanding stallion portfolio we have acquired shareholding in Australia’s most exciting young sire in Extreme Choice, the son of champion sire Not A Single Doubt, stands at the famed Hunter Valley Stallion farm Newgate which are rapidly becoming a dominant force in the Australian market. We have also acquired shares in last year’s 2 year old champion Farnan when he retired to Kia Ora Stud, along with the likes of Denman, who is highly regarded in the Hong Kong racing scene. Our broodmare portfolio reside at some of Australia’s leading nurseries including Segenhoe Stud, Newhaven park, Rosemont stud and Twin Hills. The management team have been actively pursuing strategic partnerships with key industry participants to enable the bloodstock arm of the company to take advantage of the booming industry in Australia. With prize money, industry participation and market trends at an all time high in the Australian bloodstock industry, we are purposely positioned to benefit from this lucrative market boom.

Financial Review

Revenue

The revenue was generated from the segment of manufacturing and trading of threads product, interior design and decoration, and equine services. The following table sets out a breakdown of the Group's revenue attributable to three segments of the Group of the year ended 31 December 2021 and 2020:

	Year ended 31 December				Rate of change %
	2021		2020		
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	
Manufacturing and trading of threads	54,517	74.3	44,984	100	21.2
Interior design and decoration	18,057	24.6	—	—	—
Equine services	791	1.1	—	—	—
	<u>73,365</u>	<u>100.0</u>	<u>44,984</u>	<u>100.0</u>	<u>63.1</u>

Manufacturing and trading of threads

The revenue attributable to the manufacturing and trading of threads increased to approximately HK\$54.5 million for the year ended 31 December 2021 from approximately HK\$45.0 million for the year ended 31 December 2020, representing an increase of approximately 21.2%. 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 year ended 2020 and the revenue for year ended 2021 is covered the period from 9 February 2021 to 31 December 2021. The revenue attributable to the interior design and decoration business for the year ended 31 December 2021 was HK\$18.1 million.

Equine Services

The equines services were new setup during the year. The Company providing a wide range of equines services which included but not limit to horse breeding services and horse retirement services and horse consulting services. The revenue attributable to the equines services for the year ended 31 December was HK\$0.8 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 for the year ended 31 December 2021 and 2020:

	Year ended 31 December		Rate of change %
	2021 HK\$'000	2020 HK\$'000	
Manufacturing and trading of threads	46,756	34,537	35.4
Interior design and decoration	10,564	—	—
Equine services	1,253	—	—
	<u>58,573</u>	<u>34,537</u>	<u>69.6</u>

Manufacturing and trading of threads

The cost of sales attributable to the manufacturing and trading of threads increase to approximately HK\$46.8 million for the year ended 31 December 2021 from approximately HK\$34.5 million for the year ended 31 December 2020, representing an increase of 35.4%. The cost of sales for the manufacturing and trading of threads increased is in line with the increase in sale for the year.

Interior design and decoration

The cost of sales attributable to the interior design decoration for the year ended 31 December 2021 was HK\$10.6 million. It is the segment newly acquired and no revenue recorded for the year ended 31 December 2020 due to Group completed the acquisition of Diamond Motto Limited during this year.

Equine services

The cost of sales attributable to the equine services for the year ended was HK\$1.3 million. It is the segment newly setup and no revenue recorded for the year ended 2020 and the management expected the revenue will increase significantly in the year 2022.

Gross profit and gross profit margin

The Group's gross profit increased to approximately HK\$14.8 million for the year ended 31 December 2021 from approximately HK\$10.4 million for the year 31 December 2020, representing an increase of approximately 41.6%. 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 year ended 31 December 2021. The gross profit margin decrease to approximately 20.2% for the year ended 31 December 2021 from approximately 23.2% for the year ended 31 December 2020 was mainly attributable to the cost of sales for initial equine services generated for the year ended 31 December 2021 which diluted the gross profit margin for the Group.

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

The Group recorded other net gain and other expenses, net of approximately HK\$2.6 million for the year ended 31 December 2021 as compared with other net losses and other expenses of approximately HK\$4.4 million for the year ended 31 December 2020. Such change was mainly attributable to the decrease in the exchange loss and the fair value gain on the biological assets during the year.

Selling and distribution expenses

Selling and distribution expenses mainly consist of staff costs and transportation expenses. Selling expenses increased to approximately HK\$7.0 million for the year ended 31 December 2021 from approximately HK\$5.7 million for the year ended 31 December 2020. Such increase was mainly due to the increase in transportation expenses and labour cost as a result of the aforementioned increase in revenue.

Administrative expenses

Administrative losses primarily consist of staff costs, Directors' remuneration and legal and professional fees. Administrative expenses increased to approximately HK\$23.4 million for the year ended 31 December 2021 from approximately HK\$13.9 million for the year ended 31 December 2020, representing an increase of approximately 67.5%. 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 year.

Finance costs

The Group's finance costs increased to approximately HK\$0.7 million for the year ended 31 December 2021 from approximately HK\$0.4 million for the year ended 31 December 2020, representing an increase of approximately 82.5%. Such increase was mainly due to the new banking facilities from the acquisition of the interior design and decoration segment.

Loss before income tax

As a result of the aforesaid, the Group recorded a loss before income tax of approximately HK\$27.2 million for the year ended 31 December 2021 from approximately HK\$15.6 million for the year ended 31 December 2020, representing an increase of approximately 74.7%.

Income tax expense

No income tax expense was recorded both for the year ended 31 December 2021 and 31 December 2020.

Total comprehensive expenses attributable to the owners of the parent

The total comprehensive expenses attributable to the owners of the parent increased to approximately HK\$25.7 million for the year ended 31 December 2021 from approximately HK\$11.5 million for the year ended 31 December 2020, representing an increase of approximately 123.7%. Such increase was mainly due to the combined effect of the increase in the Group's loss for the year ended 31 December 2021 due to the reasons mentioned above and the decrease in exchange differences on translation of foreign operations.

Basic and diluted loss per share

The Company's basic and diluted loss per share for the year ended 31 December 2021 was approximately HK7.43 cents (2020: HK6.22 cents (restated)), representing an increase of approximately 19.5%, which was mainly due to the increase in loss attributable to the owners of the parent.

Final dividend

The board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

Liquidity and Financial Resources

For the year ended 31 December 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 activities and financing activities.

The Group's cash and bank balances amounted to approximately HK\$27.3 million and approximately HK\$11.9 million as at 31 December 2021 and 2020, respectively. The functional currency of the Group is the Hong Kong dollar. As at 31 December 2021, 94.9% of the Group's cash and bank balances were denominated in the Group's functional currency (31 December 2020: 96.9%) and the remaining 5.1% (31 December 2020: 3.1%) in other currencies, mainly the Renminbi and Australian Dollars.

As at 31 December 2021 and 2020, the Group had net current assets of approximately HK\$58.4 million and approximately HK\$35.5 million, respectively, which included trade receivables, contract assets, deposit and other receivables, inventories and cash and cash equivalents. The Group's current ratio slightly decreased from approximately 3.8 as at 31 December 2020 to approximately 3.1 as at 31 December 2021.

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 is approximately 0.9% and approximately 4.9% as at 31 December 2021 and 2020, respectively. The Group believes that the cash at banks provide adequate liquidity to satisfy the Group's funding requirements.

Capital Commitments

As at 31 December 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 placees 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.

On 29 June 2021, the Company entered into the subscription agreements with two subscribers, pursuant to which the subscribers has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 3,300,000 and 3,400,000 new Shares for two subscribers 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 placees who and whose beneficial owners shall be Independent of the Company. The subscriptions and placing of the new shares has been completed on 22 July 2021. Details of the subscription 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.

As at 31 December 2021, the Company's issued share capital amounted to approximately HK\$20.5 million, divided by 409,141,860 Shares of HK\$0.05 each.

Details of changes in the Company's share capital for the year ended 31 December 2021 are set out in note 13 of this announcement.

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 31 December 2021 the Group did not hold any significant investments (as at 31 December 2020: Nil).

Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies

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.

Save as disclosed above, 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 Company's prospectus dated 30 November 2017 (the "Prospectus"), the Group currently has no other plans for material investments and capital assets.

Contingent Liabilities

As at 31 December 2021, the Group did not have material contingent liabilities (as at 31 December 2020: Nil).

Treasury Policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients and credit review of the Group's loan portfolio. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

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 Australia. 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

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

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000
Property, plant and equipment	3,674	—
Investment property	4,361	—
	<u>8,035</u>	<u>—</u>

Employees and Remuneration Policies

As at 31 December 2021, the Group employed a total of 161 employees (as at 31 December 2020: 157), of whom 139 were located in the PRC and 22 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 two years ended 31 December 2021, the Group's total staff costs (excluding Directors' emoluments) amounted to approximately HK\$19.3 million and HK\$14.5 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 salaries above the minimum wage, promotion opportunities and budgets for social events.

The Group operates a Mandatory Provident Fund Scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the MPF Scheme vest immediately.

Pursuant to the relevant labour laws, rules and regulations in the PRC, the Group participates in defined contribution retirement benefit scheme (the “**Retirement Benefit Scheme**”) organised by the relevant local government authorities in the PRC whereby the Group is required to make contributions to the Retirement Benefit Scheme at a certain rate of the standard wages determined by the relevant authorities in the PRC during the year. Contributions to the Retirement Benefit Scheme vest immediately.

There was no forfeited contribution under the MPF Scheme and Retirement Benefit Scheme which may be used by the Group to reduce the contribution payable in the future years.

The remuneration committee of the Company is responsible for reviewing and determining the remuneration packages of the Directors and senior management members with reference to the salaries paid by comparable companies, time commitment and responsibilities, employment conditions elsewhere in the Group and the desirability of performance-based remuneration. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors and senior management members. The Company adopted a share option scheme (the “**Share Option Scheme**”) on 24 November 2017, under which the Company may grant options to, among others, any employees (full-time or part-time) or Directors with a view to rewarding them for their contributions to the Group, giving incentive 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 annual report, no share options have been granted pursuant to the Share Option Scheme.

Major and 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 during the year 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.

Compliance with Laws and Regulations

Save for the matter in relation to the above paragraph of “Major and Connected Transactions” and the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has in all material respects complied with all relevant laws, rules and regulations that have a significant impact on the Group and its operations in Hong Kong and the PRC.

Environmental Policies and Performance

In order to better integrate the concept of social responsibility into the Group's strategy and decision-making and to further guide the Group to develop a socially responsible practice, the Group has established an environmental, social and governance ("ESG") report preparation team. While preparing the report, the Group strives to incorporate the notion of sustainable development into its daily operations.

Meanwhile, the Group has established a systematic stakeholder communication channel with the aim to facilitate positive interactions with the Group's stakeholders, actively respond to relevant litigation issues and promote quality, effective and sustainable growth. Throughout the year ended 31 December 2021, the Group has maintained its business integrity and dedication to environmental protection, while continuously striving to improve quality management and employee care.

For further information in relation to the Group's ESG practices, please refer to the Group's separate ESG report, which is expected to be published on the websites of the Stock Exchange and the Company within three months after the publication of this annual report.

Relationship with Stakeholders

Employees are considered to be one of the most important factors that contribute to the productivity of the Group. Employees of the Group are mainly provided with on-the-job training as well as remuneration packages and allowances.

The Group also communicates closely with its customers to obtain valuable feedback and provides them with information about the Group's products and trends in the sewing threads market. The Group has maintained business relationships with its five largest customers for a period ranging from approximately five to twenty years, respectively. Likewise, the Group has also established stable relationships with its suppliers. As such, the Directors believe that the Group has developed a trustworthy and reliable reputation as well as a strong partnership with its customers and suppliers.

Use of Proceeds

Use of proceeds of the Company's Initial Public Offering

As disclosed in the Prospectus, the net proceeds from the Share Offer were approximately HK\$40.7 million, after deducting commission and expenses borne by the Company in connection with the Share Offer (the "Net Proceeds"). As at 31 December 2021, the unutilised Net Proceeds amounted to approximately HK\$8.7 million.

As at 31 December 2021, the Net Proceeds had been applied and utilised as follows:

	Net Proceeds from available <i>HK\$ million</i>	Utilised in previous financial year <i>HK\$ million</i>	Unutilised as at 31 December 2020 <i>HK\$ million</i>	Utilised during the year ended 31 December 2021 <i>HK\$ million</i>	Unutilised as at 31 December 2021 <i>HK\$ million</i>	Expected timeline for utilising the unutilised amount ^(Note 1) <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	—	17.2	on or before 31 December 2022
Upgrading the Group's machinery for the production of 100% spun polyester sewing threads for domestic use	7.7	2.2	5.5	—	5.5	on or before 31 December 2022
Acquiring new cone winding machines	4.1	0.5	3.6	—	3.6	on or before 31 December 2022
Acquiring new machinery for the production of nylon threads	3.7	1.3	2.4	—	2.4	on or before 31 December 2022
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>12.0</u>	<u>28.7</u>	<u>—</u>	<u>28.7</u>	
Repayment of bank facilities ^(Note 2)	<u>—</u>	<u>20.0</u>	<u>20.0</u>	<u>—</u>	<u>20.0</u>	
	<u><u>40.7</u></u>	<u><u>32.0</u></u>	<u><u>8.7</u></u>	<u><u>—</u></u>	<u><u>8.7</u></u>	

Note 1: The expected timetable for fully utilising the unutilised Net Proceeds is determined based on the Group's best estimate of future market conditions, and is subject to change depending on current market conditions and future market developments.

Note 2: 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 2021.

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.

Below is an analysis comparing the future plans and use of proceeds contained in the Prospectus from the Listing Date up to 31 December 2021:

Business strategy	Implementation plan	Actual progress as at 31 December 2020
Upgrading 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.
Upgrading 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.
Acquiring 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.
Setting 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 set up a sales office in Zhejiang Province, which is currently in full operation.
Acquiring new cone winding machines	— Order two cone winding machines to facilitate the production lines for 100% spun polyester sewing threads and paying the balance for two cone winding machines	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 31 December 2021, the net proceeds of the Rights Issue had been utilised as follows:

	Actual net proceeds allocated <i>HK\$ Million</i>	Utilised in previous year <i>HK\$ Million</i>	Utilised as at 31 December 2020 <i>HK\$ Million</i>	Utilised during the year <i>HK\$ Million</i>	Utilised as at 31 December 2021 <i>HK\$ Million</i>
General and administrative expenses	7.4	5.0	2.4	2.4	—
Professional fees	3.0	3.0	—	—	—
Acquisition of raw materials	4.2	4.2	—	—	—
	<u>14.6</u>	<u>12.2</u>	<u>2.4</u>	<u>2.4</u>	<u>—</u>

Use of net proceeds of the subscription and placing of the new shares on 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 placees 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 31 December 2021, the net proceeds of the subscription and placing of the new shares on February 2021 had been utilised as follows:

	Actual net proceeds allocated <i>HK\$ Million</i>	Utilised during the year <i>HK\$ Million</i>	Utilised as at 31 December 2021 <i>HK\$ Million</i>
General working capital of the Group	2.8	2.8	—
Possible investment	11.1	11.1	—
	<u>13.9</u>	<u>13.9</u>	<u>—</u>

Use of net proceeds of the subscription and placing of the new shares on July 2021

On 29 June 2021, the Company entered into the subscription agreements with two subscribers, pursuant to which the subscribers has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 3,300,000 and 3,400,000 new Shares for two subscribers 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 placees who and whose beneficial owners shall be Independent of the Company. The subscriptions and placing of the new shares has been completed on 22 July 2021. Details of the subscription 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.

As at 31 December 2021, the net proceeds of the subscription and placing of the new shares on February 2021 had been utilised as follows:

	Actual net proceeds allocated <i>HK\$ Million</i>	Utilised during the year <i>HK\$ Million</i>	Utilised as at 31 December 2021 <i>HK\$ Million</i>	Expected timeline for utilising the unutilized amount <i>HK\$ Million</i>
General working capital of the Group	6.2	6.2	—	—
Development Horse breeding business	5.7	4.0	1.7	on or before 31 December 2022
Development of existing business and/or acquisition of and/or investment in business(es) which leverage on the competitive advantage of the Group	19.3	3.5	15.8	on or before 31 December 2022
	31.2	13.7	17.5	—

Future Plans and 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, as part of the Group's expanding stallion portfolio we have acquired shareholding in Australia's most exciting young sire in Extreme Choice, the son of champion sire Not A Single Doubt, stands at the famed Hunter Valley Stallion farm Newgate which are rapidly becoming a dominant force in the Australian market. We have also acquired shares in last year's 2 year old champion Farnan when he retired to Kia Ora Stud, along with the likes of Denman, who is highly regarded in the Hong Kong racing scene. Our broodmare portfolio reside at some of Australia's leading nurseries including Segenhoe Stud, Newhaven park, Rosemont stud and Twin Hills. The management team have been actively pursuing strategic partnerships with key industry participants to enable the bloodstock arm of the company to take advantage of the booming industry in Australia. With prize money, industry participation and market trends at an all time high in the Australian bloodstock industry, we are purposely positioned to benefit from this lucrative market boom.

The Directors 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.

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 31 December 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 (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) required to be recorded in the register required to be kept under section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in the Shares and underlying Shares

(a) Ordinary shares of the Company

Name of Director	Nature of interest/ Holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company (Note 1)
Mr. Wong Kwok Wai, Albert	Interest of a controlled corporation	120,000,000 (L) (Notes 2)	29.33%
Mr. Leung King Yue, Alex	Beneficial owner	10,000,000 (L)	2.44%

(b) *Share options of the Company*

Name of director	Number of share options				Outstanding at 31 December 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	0.86%	13 May 2021	13 May 2021 – 12 May 2024	0.57

Notes:

1. As at the date of this annual report, the Company's issued ordinary share capital was HK\$20,457,093 divided into 409,141,860 Shares of HK\$0.05 each.
2. Three Gates Investment Limited ("**Three Gates Investment**"), a company incorporated in the British Virgin Islands on 15 August 2016 is wholly and beneficially owned by Mr. Wong Kwok Wai, Albert ("**Mr. Wong**"), who is the chairman and an executive director of the Company. Therefore, Mr. Wong is deemed to be interested in 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.

Except as disclosed above, as at 31 December 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 31 December 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

Name of Substantial Shareholder	Nature of interest/ Holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company (Note 1)
Three Gates Investment	Beneficial owner	120,000,000 (Notes 2, 3)	29.33%
Gold-Face Finance Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	19.55%
Upbest Credit and Mortgage Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	19.55%
Good Foundation Company Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	19.55%
Upbest Strategic Company Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	19.55%
Upbest Financial Holdings Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	19.55%
Upbest Group Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	19.55%
Fung Wing Cheung, Tony	Beneficial owner	40,800,000	9.97%

Notes:

1. As at the date of this annual report, the Company's issued ordinary share capital was HK\$20,457,093 divided into 409,141,860 Shares of HK\$0.05 each.
2. Three Gates Investment is wholly and beneficially owned by Mr. Wong, who is the chairman and an executive Director of the Company. Therefore, Mr. Wong is deemed to be interested in 120,000,000 Shares held by Three Gates Investment by virtue of his 100% shareholding interest in Three Gates Investment.
3. 80,000,000 Shares held by Three Gates Investment have been charged in favour of Gold-Face Finance Limited ("**Gold-Face**") as security for a loan granted in favour of Mr. Wong Kwok Wai, Albert, the chairman, chief executive officer, executive director and controlling shareholder of the Company.
4. As Gold-Face is wholly-owned by Upbest Credit and Mortgage Limited, which in turn is wholly-owned by Upbest Strategic Company Limited and Good Foundation Company Limited in equal parts, which in turn are both wholly-owned by Upbest Financial Holdings Limited, which in turn is wholly-owned by Upbest Group Limited, Upbest Credit and Mortgage Limited, Upbest Strategic Company Limited, Good Foundation Company Limited, Upbest Financial Holdings Limited and Upbest Group Limited are all deemed to be interested in the security interest in the 80,000,000 Shares charged in favour of Gold-Face by virtue of the SFO.

Except as disclosed above, as at 31 December 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 provisions 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.

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 as a whole.

The corporate governance code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules has been adopted by the Board. Nevertheless, the Directors are committed to regularly reviewing its corporate governance practices to ensure conformity with the standard set out in the CG Code, as well as meeting the rising expectation of the Shareholders and other stakeholders of the Company.

Except for the deviation from code provision A.2.1 of the CG Code, details of which are set out in the section headed “Chairman and Chief Executive Officer” in this corporate governance report, the Board is of the view that the Company has complied with the code provisions for the year ended 31 December 2021.

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 year ended 31 December 2021.

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 during the year ended 31 December 2020 and up to the date of this announcement.

Directors' and Controlling Shareholders' Interests in Competing Businesses

The Directors and the controlling shareholders of the Company have confirmed that for the year ended 31 December 2021 and up to the date of this annual report, none of the Directors, controlling Shareholders or any of their respective close associates (as defined in the GEM Listing Rules) engaged in any businesses that compete or may compete with the business of the Group, or had any other conflict of interest with the Group.

On 24 November 2017, each of Mr. Wong Kwok Wai, Albert and Three Gates Investment, being the controlling Shareholders, entered into a non-competition undertaking in favour of the Company, details of which were set out in the section headed “Relationship with our Controlling Shareholders — Non-competition Undertaking” in the Prospectus. Such undertakings have been fully complied with and enforced during the year ended 31 December 2021 and up to the date of this annual report.

The Board confirms that as at the date of this annual report, no other matters are required to be brought to the attention of the Shareholders and the potential investors.

Further, the independent non-executive Directors confirm that they have reviewed the enforcement of such undertakings and conclude that there are no outstanding issues regarding the undertakings that need to be raised with the Shareholders and the Company.

Events after the year ended 31 December 2021

On 3 January 2022 (the “**Date of Grant**”), the Company resolved to grant 4,091,418 share options under the Share Option Scheme adopted by the Company on 24 November 2017 to Mr. Shane McGrath, an executive Director, to subscribe for up to 4,091,418 ordinary shares of HK\$0.05 each in the share capital of the Company (each a “**Share**”), subject to acceptance of the Grantee. As at the Date of Grant, the Company has 409,141,860 shares in issue. The total of 4,091,418 shares to be subscribed under the share options granted represent 1.00% of the existing issued share capital of the Company as at the Date of Grant and approximately 0.99% of the enlarged issued share capital of the Company assuming full exercise of the share options. For details, please refer to the announcement of the Company dated 3 January 2022.

For the existing principal business of manufacturing and selling of sewing threads, the Group has experienced difficulties owing to the outbreak of the coronavirus (“**COVID-19**”) pandemic and uncertainties due to the ongoing trade conflict between the PRC and the United States of America (the “**U.S.**”) as well as the gradual slowdown of the PRC economy. Although the tension of COVID-19 seemed to be abating, the Group expects 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.

Sufficiency of Public Float

The Directors confirm that during the year ended 31 December 2021 and up to the date of this announcement, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has complied with the minimum public float as required under the GEM Listing Rules.

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), 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 annual report as well as the consolidated results of the Group for the year ended 31 December 2021.

Publication of Information on the Website of the Stock Exchange

This announcement will be published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.shenyouholdings.com). The annual report for the year ended 31 December 2021 containing all the information required by the GEM Listing Rules will be published on the respective websites of the Stock Exchange and the Company and despatched to the Shareholders in due course.

Scope of Work of Independent Auditor

The figures in respect of the Group's results for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group's independent auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Group's independent auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by the Group's independent auditors on this preliminary announcement of results.

Annual General Meeting and Closure of the Register of Members

The forthcoming annual general meeting (the “AGM”) of the Company will be held by way of electronic means of Friday, 6 May 2022. For the purpose of determining Shareholders’ entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Tuesday, 3 May 2022 to Friday, 6 May 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, all transfer of Shares accompanied by the relevant share certificates and transfer documents must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:30 p.m. on Friday, 29 April 2022.

By order of the Board
SHEN YOU HOLDINGS LIMITED
Wong Kwok Wai, Albert
*Chairman, chief executive officer
and executive Director*

Hong Kong, 25 March 2022

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 Listed Company Information” page of the GEM website at 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.