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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 2022**

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

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

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

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

## INTERIM RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2022, together with the comparative unaudited figures for the corresponding period in 2021, which are presented in Hong Kong dollars (“**HK\$**”) as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

*For the six months ended 30 June 2022*

		For the three months ended 30 June		For the six months ended 30 June	
		2022	2021	2022	2021
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	20,129	18,387	36,064	32,573
Cost of sales		(17,486)	(15,526)	(31,397)	(27,186)
Gross profit		2,643	2,861	4,667	5,387
Other income and gains	5	4,088	406	5,322	1,176
Selling and distribution expenses		(1,708)	(1,888)	(3,081)	(3,370)
Administrative expenses		(6,368)	(6,438)	(13,404)	(11,535)
Other expenses		(688)	(1,165)	(1,209)	(1,803)
Finance costs	6	(149)	(185)	(283)	(329)
Impairment loss on goodwill		–	–	–	(11,128)
<b>LOSS BEFORE TAX</b>	7	<b>(2,182)</b>	<b>(6,409)</b>	<b>(7,988)</b>	<b>(21,602)</b>
Income tax expense	8	–	–	–	–
<b>LOSS FOR THE PERIOD</b>		<b>(2,182)</b>	<b>(6,409)</b>	<b>(7,988)</b>	<b>(21,602)</b>
<b>LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b>(2,182)</b>	<b>(6,409)</b>	<b>(7,988)</b>	<b>(21,602)</b>
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT</b>					
Basic and diluted (expressed in HK cents per share)	10	0.53	1.80	1.95	6.55

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the three months ended 30 June		For the six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<b>LOSS FOR THE PERIOD</b>	<b><u>(2,182)</u></b>	<b><u>(6,409)</u></b>	<b><u>(7,988)</u></b>	<b><u>(21,602)</u></b>
<b>OTHER COMPREHENSIVE INCOME/ (LOSS)</b>				
Exchange differences on translation of foreign operations	<u>(2,762)</u>	<u>894</u>	<u>(2,523)</u>	<u>431</u>
<b>OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD, NET OF TAX</b>	<b><u>(2,762)</u></b>	<b><u>894</u></b>	<b><u>(2,523)</u></b>	<b><u>431</u></b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b><u>(4,944)</u></b>	<b><u>(5,515)</u></b>	<b><u>(10,511)</u></b>	<b><u>(21,171)</u></b>
<b>ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b><u>(4,944)</u></b>	<b><u>(5,515)</u></b>	<b><u>(10,511)</u></b>	<b><u>(21,171)</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	<b>As at 30 June 2022 HK\$'000 (unaudited)</b>	<b>As at 31 December 2021 HK\$'000 (audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>11</i>	<b>6,829</b>	7,814
Investment property		<b>4,361</b>	4,361
Right-of-use assets		<b>2,211</b>	3,383
Financial assets at fair value through profit or loss		<b>5,253</b>	5,253
Biological assets	<i>12</i>	<b>12,831</b>	7,059
Goodwill		<b>6,683</b>	6,683
		<hr/>	<hr/>
Total non-current assets		<b>38,168</b>	34,553
<b>CURRENT ASSETS</b>			
Inventories	<i>13</i>	<b>10,555</b>	14,050
Biological assets		<b>37,890</b>	10,512
Trade receivables	<i>14</i>	<b>16,836</b>	16,027
Prepayments, other receivables and other assets	<i>15</i>	<b>22,727</b>	18,567
Tax recoverable		<b>2,249</b>	–
Cash and cash equivalents		<b>29,438</b>	27,277
		<hr/>	<hr/>
Total current assets		<b>119,695</b>	86,433
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>16</i>	<b>31,919</b>	7,391
Other payables and accruals	<i>17</i>	<b>7,878</b>	11,175
Borrowings	<i>18</i>	<b>32,695</b>	5,809
Lease liabilities		<b>2,392</b>	2,818
Tax payable		<b>–</b>	804
		<hr/>	<hr/>
Total current liabilities		<b>74,884</b>	27,997
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>44,811</b>	58,436
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>82,979</b>	92,989
		<hr/>	<hr/>

		As at <b>30 June</b> <b>2022</b> <i>Notes</i> <b>HK\$'000</b> <b>(unaudited)</b>	As at 31 December 2021 <i>HK\$'000</i> (audited)
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<u>599</u>	<u>1,224</u>
Total non-current liabilities		<u>599</u>	<u>1,224</u>
Net assets		<u><b>82,380</b></u>	<u><b>91,765</b></u>
<b>EQUITY</b>			
Share capital	<i>19</i>	<b>20,457</b>	20,457
Reserves		<u><b>61,923</b></u>	<u>71,308</u>
Total equity		<u><b>82,380</b></u>	<u><b>91,765</b></u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Statutory surplus reserve HK\$'000	Share option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
As at 1 January 2021 (audited)	12,000	68,392	(1,000)	5,670	-	10,127	(49,581)	45,608
Loss for the period	-	-	-	-	-	-	(21,602)	(21,602)
Other comprehensive loss for the period:	-	-	-	-	-	-	-	-
Exchange difference on translation of foreign operation	-	-	-	-	-	431	-	431
Total comprehensive income/(loss) for the period	-	-	-	-	-	431	(21,602)	(21,171)
Issue of consideration shares for acquisition	3,372	22,256	-	-	-	-	-	25,628
Issue of new shares under generate mandate	2,400	11,521	-	-	-	-	-	13,921
Recognition of equity-settled share option expenses	-	-	-	-	1,155	-	-	1,155
As at 30 June 2021 (unaudited)	<u>17,772</u>	<u>102,169</u>	<u>(1,000)</u>	<u>5,670</u>	<u>1,155</u>	<u>10,558</u>	<u>(71,183)</u>	<u>65,141</u>
As at 1 January 2022 (audited)	<u>20,457</u>	<u>130,674</u>	<u>(1,000)</u>	<u>5,670</u>	<u>1,155</u>	<u>11,631</u>	<u>(76,822)</u>	<u>91,765</u>
Loss for the period	-	-	-	-	-	-	(7,988)	(7,988)
Other comprehensive loss for the period:	-	-	-	-	-	-	-	-
Exchange difference on translation of foreign operation	-	-	-	-	-	(2,523)	-	(2,523)
Total comprehensive loss for the period	-	-	-	-	-	(2,523)	(7,988)	(10,511)
Recognition of equity-settled share option expenses	-	-	-	-	1,126	-	-	1,126
As at 30 June 2022 (unaudited)	<u>20,457</u>	<u>130,674</u>	<u>(1,000)</u>	<u>5,670</u>	<u>2,281</u>	<u>9,108</u>	<u>(84,810)</u>	<u>82,380</u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(7,988)	(21,602)
Adjustments for:			
Finance costs	6	283	329
Bank interest income	5	–	(1)
Impairment loss on goodwill		–	11,128
Share option expenses	7	1,126	1,155
Depreciation of right-of-use assets	7	1,172	885
Depreciation of fixed assets	7	920	841
Loss on disposal of items of property, plant and equipment	7	65	828
Fair value gain on biological assets	7	(2,795)	–
		<u>(7,217)</u>	<u>(6,437)</u>
Decrease/(increase) in inventories		3,495	(1,947)
(Increase)/decrease in trade receivables		(809)	(6,604)
Increase in prepayments, other receivables and other assets		(4,160)	(4,738)
Increase in biological assets		(30,355)	–
Increase in trade payables		24,528	1,944
(Decrease)/increase in other payables and accruals		(3,297)	5,181
		<u>(17,815)</u>	<u>(12,601)</u>
Cash used in operations		(17,815)	(12,601)
Interest received		–	1
Interest paid		(283)	(329)
Tax paid		(3,053)	(279)
Net cash flows used in operating activities		<u>(21,151)</u>	<u>(13,208)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		–	(9,124)
Acquisition of subsidiaries		–	(17,811)
Repayment of lease liabilities		(1,051)	(1,048)
		<u>(1,051)</u>	<u>(1,048)</u>
Net cash flows used in investing activities		<u><u>(1,051)</u></u>	<u><u>(27,983)</u></u>

	<b>For the six months ended 30 June</b>	
<i>Notes</i>	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New borrowings	<b>27,000</b>	6,881
Repayments of borrowings	<b>(114)</b>	–
Issue of new shares for acquisition	–	25,628
Issue of new shares under general mandate	–	13,921
	<hr/>	<hr/>
Net cash flows generated from financing activities	<b>26,886</b>	46,430
	<hr/>	<hr/>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	<b>4,684</b>	5,239
Cash and cash equivalents at beginning of period	<b>27,277</b>	11,918
Effect of foreign exchange rate changes, net	<b>(2,523)</b>	432
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>29,438</b>	17,589
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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 18 August 2016. The registered office address of the Company is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. During the period, the Company's subsidiaries were principally engaged in the manufacture and trading of sewing threads and broad categories of garment accessories, the provision of interior design, interior decoration and furnishing services, and equine related services.

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

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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ paid-up/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Strat Tech Holdings Limited	BVI	US\$1	100%	–	Investment holding
Shen You (China) Limited	Hong Kong	HK\$10,000,000	100%	–	Investment holding
Tseyu International Trading Company Limited	Hong Kong	HK\$45,000,000	–	100%	Trading of sewing threads and broad categories of garment accessories
Newchamp Industries Limited	Hong Kong	HK\$30,000,000	–	100%	Trading of sewing threads
Clolab International Limited	Hong Kong	HK\$10,000	–	100%	Dormant
Cheerful Keen Limited	BVI	US\$1	–	100%	Trading of sewing threads and broad categories of garment accessories

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ paid-up/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Xinhua Thread Company Limited*	People's Republic of China (the "PRC")/ Mainland China	HK\$56,250,000	–	100%	Manufacture and trading of sewing threads and broad categories of garment accessories
申酉辰鑫企業（上海）有限公司*	PRC/Mainland China	HK\$5,000,000	–	100%	Investment holding
杭州新裕線業有限公司	PRC/Mainland China	RMB500,000	–	100%	Trading of sewing threads and broad categories of garment accessories
Diamond Motto Limited	Hong Kong	US\$300	100%	–	Investment holding
LMP International Limited	Hong Kong	HK\$1	–	100%	Provision of interior design, fitting out and decoration services
Better Dynasty Limited	Hong Kong	HK\$10,000	100%	–	Investment holding
Harbour Equine Limited	Hong Kong	HK\$100	–	100%	Investment holding
Thrill Rank Company Limited	BVI	US\$100	100%	–	Investment holding
Harbour Equine Pty Ltd	Australia	AUS\$100	–	100%	Horse breeding
Harbour Stallion Pty Ltd	Australia	AUS\$100	–	100%	Horse breeding
Harbour Racing Limited	Hong Kong	HK\$100	100%	–	Equine management services

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

## 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and the Companies Ordinances.

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 2021.

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 2021.

### **3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

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

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

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

The Group has three reportable segments as follows:

Manufacture and selling of threads	—	manufacture and selling of high performance sewing threads and broad categories of garment accessories
Interior design and decoration	—	provision of interior design, interior decoration and furnishing services
Equine services	—	providing stallion service, trading and breeding of bloodstocks and other equine services

Information about reportable segment profit or loss:

	Three months ended 30 June 2022			
	Manufacturing and selling <i>HK\$'000</i> (unaudited)	Interior design and decoration <i>HK\$'000</i> (audited)	Equine services <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (unaudited)
<b>Turnover</b>				
Revenue form external customers	<u>14,581</u>	<u>3,416</u>	<u>2,132</u>	<u>20,129</u>
<b>Result</b>				
Segment profit/(loss)	286	(256)	1,358	1,388
Corporate and unallocated expenses				(3,570)
Loss before tax				(2,182)
Income tax expense				-
Loss for the period				<u><u>(2,182)</u></u>

	Three months ended 30 June 2021			
	Manufacturing and trading of threads <i>HK\$'000</i> (unaudited)	Interior design and decoration <i>HK\$'000</i> (audited)	Equine services <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (unaudited)
<b>Turnover</b>				
Revenue form external customers	<u>13,617</u>	<u>4,770</u>	<u>-</u>	<u>18,387</u>
<b>Result</b>				
Segment loss	(2,239)	(808)	(111)	(3,158)
Corporate and unallocated expenses				(3,251)
Loss before tax				(6,409)
Income tax expense				-
Loss for the period				<u><u>(6,409)</u></u>

	Six months ended 30 June 2022			
	Manufacturing and selling of threads <i>HK\$'000</i> (unaudited)	Interior design and decoration <i>HK\$'000</i> (audited)	Equine services <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (unaudited)
<b>Turnover</b>				
Revenue form external customers	<u>26,599</u>	<u>7,259</u>	<u>2,206</u>	<u>36,064</u>
<b>Result</b>				
Segment loss	(2,133)	12	159	(1,962)
Corporate and unallocated expenses				(6,026)
Loss before tax				(7,988)
Income tax expense				-
Loss for the period				<u><u>(7,988)</u></u>

	Six months ended 30 June 2021			
	Manufacturing and selling of threads <i>HK\$'000</i> (unaudited)	Interior design and decoration <i>HK\$'000</i> (audited)	Equine services <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (unaudited)
<b>Turnover</b>				
Revenue form external customers	<u>25,259</u>	<u>7,314</u>	<u>-</u>	<u>32,573</u>
<b>Result</b>				
Segment loss	(3,868)	(1,402)	(111)	(5,381)
Corporate and unallocated expenses				(16,221)
Loss before tax				(21,602)
Income tax expense				-
Loss for the period				<u><u>(21,602)</u></u>

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

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Overseas</b>				
PRC	<b>7,317</b>	8,468	<b>12,969</b>	14,619
Hong Kong	<b>3,125</b>	4,547	<b>8,524</b>	9,024
Overseas	<b>9,687</b>	5,372	<b>14,571</b>	8,930
	<b>20,129</b>	18,387	<b>36,064</b>	32,573

Information about reportable segment assets and liabilities:

	Manufacturing and selling of threads		Interior design and decoration		Equine services		Total	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	30 June
	2022	2021	2022	2021	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Assets</b>								
Segment assets	<b>51,103</b>	42,482	<b>23,522</b>	26,709	<b>60,147</b>	21,457	<b>134,772</b>	90,648
Unallocated corporate assets							<b>23,091</b>	30,338
<b>Consolidated total assets</b>							<b>157,863</b>	120,986
<b>Liabilities</b>								
Segment liabilities	<b>(11,205)</b>	(13,949)	<b>(9,799)</b>	(11,487)	<b>(53,661)</b>	(3,038)	<b>(74,665)</b>	(28,474)
Unallocated corporate liabilities							<b>(818)</b>	(747)
<b>Consolidated total liabilities</b>							<b>(75,483)</b>	(29,221)

## 5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Other income and gains</b>				
Bank interest income	–	1	–	1
Exchange gains (loss), net	273	(231)	766	(38)
Fair value gain on biological assets	2,795	–	2,795	–
Gross rental income	853	18	1,590	68
Other	167	618	171	1,145
	<u>4,088</u>	<u>406</u>	<u>5,322</u>	<u>1,176</u>

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on lease liabilities	42	89	99	151
Interest on bank loans and overdrafts	107	96	184	178
	<u>149</u>	<u>185</u>	<u>283</u>	<u>329</u>

## 7. LOSS BEFORE TAX

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

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cost of inventories sold	<b>12,366</b>	11,281	<b>22,901</b>	20,768
Depreciation of fixed assets	<b>353</b>	434	<b>920</b>	841
Depreciation of right-of-use assets	<b>632</b>	532	<b>1,172</b>	885
Lease payments not included in the measurement of lease liabilities	<b>152</b>	133	<b>206</b>	240
Employees' benefit expenses (excluding directors' remuneration)	<b>5,777</b>	4,925	<b>10,898</b>	9,987
Share options expenses	<b>1,126</b>	1,155	<b>1,126</b>	1,155
Net exchange loss/(gain)	<b>(273)</b>	231	<b>(766)</b>	38
Loss on disposal of fixed assets	<b>65</b>	527	<b>65</b>	828

## 8. INCOME TAX

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2020/2021. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.



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

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current — Hong Kong and Mainland China	—	—	—	—
Deferred	—	—	—	—
Tax (credit)/expense	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

## 9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

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

	For the three months		For the six months	
	ended 30 June		ended 30 June	
	2022	2021	2022	2021
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(restated)		(restated)
Loss attributable to owners of the parent (HK\$'000)	<u>(2,182)</u>	<u>(6,409)</u>	<u>(7,988)</u>	<u>(21,602)</u>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>409,141,860</u>	<u>355,441,860</u>	<u>409,141,860</u>	<u>330,037,260</u>
Basic and diluted loss per share (HK cents)	<u>(0.53)</u>	<u>(1.80)</u>	<u>(1.95)</u>	<u>(6.55)</u>

## 11. PROPERTY, PLANT AND EQUIPMENT

	<b>Total HK\$'000</b>
Net carrying amount at 1 January 2022 (audited)	<b>7,814</b>
Additions	–
Disposals	<b>(65)</b>
Charge for the period	<b>(920)</b>
	<hr/>
Net carrying amount at 30 June 2022 (unaudited)	<b>6,829</b>
	<hr/> <hr/>

## 12. BIOLOGICAL ASSETS

A subsidiary of the Group is holding quality stallions and provides horse breeding services in Australia, and another subsidiary of the Group is engaged in the rearing of breeding and trading of bloodstocks in Australia.

The quantity and value of stallions and bloodstocks in which the Group is interested at the end of the reporting period are shown below.

	<b>As at 30 June 2022</b>		As at 30 June 2021	
	<i>No. of horse</i>	<i>HK\$'000</i>	<i>No. of horse</i>	<i>HK\$'000</i>
Broodmares	<b>17</b>	<b>9,103</b>	13	8,079
Stallions	<b>8</b>	<b>12,831</b>	5	7,059
Other bloodstock	<b>47</b>	<b>28,787</b>	6	2,433
	<hr/>	<hr/>	<hr/>	<hr/>
Total bloodstocks	<b>72</b>	<b>50,721</b>	24	17,571
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 13. INVENTORIES

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
Raw materials	2,659	3,299
Work in progress	2,285	2,369
Finished goods	5,611	8,382
	<u>10,555</u>	<u>14,050</u>

### 14. 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 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
Within 1 month	5,992	6,299
1 to 2 months	3,503	4,937
2 to 3 months	458	493
Over 3 months	8,247	5,673
	<u>18,200</u>	<u>17,402</u>
Less: Allowance for credit losses	(1,364)	(1,375)
	<u>16,836</u>	<u>16,027</u>

## 15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
Other prepayments	5,282	2,240
Loans to a vendor	2,290	2,456
Contract assets	2,516	2,823
Deposits and other receivables	<u>17,243</u>	<u>15,655</u>
	27,331	23,174
Less: Allowance for credit losses	<u>(4,604)</u>	<u>(4,607)</u>
	<u><u>22,727</u></u>	<u><u>18,567</u></u>

## 16. TRADE PAYABLES

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

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
Within 1 month	26,718	3,519
1 to 2 months	1,297	1,577
2 to 3 months	830	690
Over 3 months	<u>3,074</u>	<u>1,605</u>
	<u><u>31,919</u></u>	<u><u>7,391</u></u>

## 17. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
Other payables and accruals	6,337	7,888
Contract liabilities	1,541	3,287
	<u>7,878</u>	<u>11,175</u>

## 18. BORROWINGS

	As at 30 June 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Bank loans, secured	906	1,004
Bank overdrafts — secured	4,789	4,805
Short term loans, secured	15,000	–
Short term loans, unsecured	12,000	–
	<u>32,695</u>	<u>5,809</u>

The bank loans and bank overdrafts are at floating interest rates that are market dependent and the carrying amounts approximate the fair values. The short term loans are at fixed interest rates. The range of interest rates are as follows:

	<b>As at 30 June 2022 HK\$'000</b>	<b>As at 31 December 2021 HK\$'000</b>
Bank loans, secured <sup>(i)</sup>	<b>P-1% to P-2.25%</b>	P-1% to P-2.25%
Bank overdrafts, secured <sup>(i)</sup>	<b>P+1.75%</b>	P+1.75%
Short-term loans, secured <sup>(ii)</sup>	<b>24%</b>	–
Short-term loans, unsecured	<b><u>interest-free</u></b>	<b><u>–</u></b>

All the bank loans, bank overdrafts and short term loans were repayable on demand as at 30 June 2022 and 31 December 2021.

The ranges of effective interest rates on the Group's borrowings as at 30 June 2022 and 31 December 2021 ranged between 2.75% to 24% per annum.

As at the end of reporting period, the summary of assets pledged and guaranteed borrowings as of 30 June 2022 and 31 December 2021 are as follows:

- (i) The bank loans and bank overdrafts are secured by:
  - (a) Personal guarantees provided by a director of a subsidiary of the Group;
  - (b) A subsidiary of the Group's building with carrying amount of approximately HK\$3,453,000 and HK\$3,674,000 respectively as at 30 June 2022 and 31 December 2021;
  - (c) A subsidiary of the Group's investment property with carrying amount of approximately HK\$4,361,000 as at 30 June 2022 and 31 December 2021; and
  - (d) Charge of deposits made by a director of a subsidiary of the Group as determined by the bank from time to time.
- (ii) The short-term loans are secured by:
  - (a) Personal guarantees provided by a director of the Company.
  - (b) All the assets of the Company.

## 19. SHARE CAPITAL

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

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
<b>Authorised:</b>		
1,000,000,000 Ordinary shares at HK\$0.05 each	<u><b>50,000</b></u>	<u>50,000</u>
<b>Issued and fully paid:</b>		
At the beginning of the reporting period	<u>20,457</u>	<u>12,000</u>
Issue of new shares for acquisition <sup>(Note 1)</sup>	–	3,372
Issue of new shares under general mandate <sup>(Note 2)</sup>	–	2,400
Issue of new shares under general mandate <sup>(Note 3)</sup>	<u>–</u>	<u>2,685</u>
At the end of the reporting period	<u><b>20,457</b></u>	<u>20,457</u>

*Note 1:* On 9 February 2021, the Group has completed the acquisition of 100% equity interest in Diamond Motto Limited by the allotment and issuance of an aggregate of 67,441,860 consideration shares with par value HK\$0.05 and the closing price of the Company's share on the acquisition date was HK\$0.38.

*Note 2:* On 11 February 2011, the Group has completed a subscription of 24,000,000 new shares with par value HK\$0.05 each at HK\$0.30 per subscription share and a placing of 24,000,000 of new shares with par value HK\$0.05 each at HK\$0.30 per placing share.

*Note 3:* On 22 July 2011, the Group has completed a subscription of 6,700,000 new shares with par value HK\$0.05 each at HK\$0.60 per subscription share and a placing of 47,000,000 of new shares with par value HK\$0.05 each at HK\$0.60 per placing share.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is principally engaged in the manufacturing and trading of sewing threads and board categories of garment accessories, provision of interior design, interior decoration services 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 the United Arab Emirates ("UAE"), Mauritius and Switzerland. While the Group's customers in the PRC and Hong Kong are mainly garment manufacturers, its overseas customers are mainly wholesalers. The production facilities of the Group, where the sewing threads manufacturing process is conducted, are located in Liwan, Guangzhou (the "**Guangzhou Production Facilities**").

For the business line 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 this 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. We have also acquired a stake in a new sire Portland Sky, being a son of successful Hong Kong Sire Deep Field, which is standing at Widden Stud. In addition, we have acquired an interest in stallion prospect Mo'unga, a Group 1 winning son of Champion sire Savabeel, which is set to retire in 2023 and commence his stud career. Our acquisition also include promising young racehorses including Williamsburg, son of Snitzel, who has won in Group 3 race as a two year old. 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.



For the six months ended 30 June 2022, the Group's recorded an unaudited revenue of approximately HK\$36.1 million, representing an increase of approximately 10.7% as compared with approximately HK\$32.6 million for the six months ended 30 June 2021. The increase in revenue is mainly attributable to the increase of the revenue for the manufacturing and trading of threads segment and the revenue generated from the equine services. The gross profit margin decrease to approximately 12.9% for the six months ended 30 June 2022 from approximately 16.5% for the same period in the preceding year.

The loss attributable to the owners of the parent decrease to approximately HK\$8.0 million for the six months ended 30 June 2022 from approximately HK\$21.6 million for the same period in 2021, representing a decrease of approximately 63.0%. Such decrease was primarily due to the one-off impairment loss of goodwill on the same period of the preceding year and the fair value gain on the biological assets during the period.

## FINANCIAL REVIEW

### Revenue

The revenue was generated from the segment of manufacturing and trading of threads product and interior design and decoration and equine services. The following table sets out a breakdown of the Group's revenue attributable to two segments of the Group of the six months ended 30 June 2022 and 2021:

	Six months ended 30 June				Rate of change %
	2022		2021		
	HK\$'000	% of total revenue	HK\$,000	% of total revenue	
Manufacturing and trading of threads	26,599	73.8	25,259	77.6	5.3
Interior design and decoration	7,259	20.1	7,314	22.4	(0.8)
Equine services	2,206	6.1	—	—	—
	<u>36,064</u>	<u>100.0</u>	<u>32,573</u>	<u>100.0</u>	<u>10.7</u>

### *Manufacturing and selling of threads*

The revenue attributable to the manufacturing and selling of threads increased to approximately HK\$26.6 million for the six months ended 30 June 2022 from approximately HK\$25.3 million for the six months ended 30 June 2021, representing an increase of approximately 5.3%. The revenue increase was mainly attributable to the increase in sales in the overseas market for the six months ended 30 June 2022.

### *Interior design and decoration*

The revenue attributable to the interior design and decoration increased to approximately HK\$7.26 million for the six months ended 30 June 2022 from approximately HK\$7.31 million for the six months ended 30 June 2021, representing a slightly decrease of approximately 0.8%. The revenue decrease was mainly due to the outbreak of Covid-19 in Hong Kong during the period and therefore the progress of the project has been delayed during the period.

### *Equine services*

The revenue attributable to the equine services is HK\$2.2 million for the six month ended 30 June 2022. It is the segment newly setup on 2021, therefore no revenue recorded for the six months ended 30 June 2021.

### **Cost of sales**

The Group's cost of sales primarily consists of direct material costs, processing fees, direct labour costs, welfare and social insurance, agistment costs and bloodstock insurance. The following table sets out a breakdown of the Group's cost of sales attributable to three segments of the Group of the six months ended 30 June 2022 and 2021:

	<b>Six months ended 30 June</b>		Rate of
	<b>2022</b>	2021	change
	<b>HK\$'000</b>	<b>HK\$,000</b>	%
Manufacturing and trading of threads	<b>22,901</b>	20,768	10.3
Interior design and decoration	<b>5,106</b>	6,320	(19.2)
Equine services	<b>3,390</b>	98	3,359.2
	<b><u>31,397</u></b>	<b><u>27,186</u></b>	<b><u>15.5</u></b>

### *Manufacturing and selling of threads*

The cost of sales attributable to the manufacturing and selling of threads increase to approximately HK\$22.9 million for the six months ended 30 June 2022 from approximately HK\$20.8 million for the six months ended 30 June 2021, representing an increase of 10.3%. The cost of sales for the manufacturing and selling of threads increased due to the significant increase in direct material costs.

### ***Interior design and decoration***

The cost of sales attributable to the interior design and decoration decrease to approximately HK\$5.1 million for the six months ended 30 June 2022 from approximately HK\$6.3 million for the six months ended 30 June 2021 representing a decrease of 19.2%. The cost of sales for the interior design and decoration decreased is mainly due to the outbreak of Covid-19 in Hong Kong during the period and therefore the progress of the project has been delayed during the period.

### ***Equine services***

The cost of sales attributable to the equine services increase to approximately HK\$3.4 million for the six months ended 30 June 2022 from approximately HK\$0.1 million for the six months ended 30 June 2021 representing an increase of 3,359.2%. The increase of cost of sales for equine services is mainly due to the significant agistment cost generated from the bloodstock during the period.

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

The Group's gross profit decreased to approximately HK\$4.7 million for the six months ended 30 June 2022 from approximately HK\$5.4 million for the six months ended 30 June 2021, representing a decrease of approximately 13.4%. The gross profit margin decrease to approximately 12.9% for the six months ended 30 June 2022 from approximately 16.5% for the six months 30 June 2021 was mainly attributable to the segment of manufacturing and selling of threads was deteriorated due to the significant increase in direct material costs. Furthermore, the gross loss recorded by the segment of the equine services which also diluted the gross profit margin of the group.

### **Other income and gains/(losses and expenses) net**

The Group's other income and gains, net increased to approximately HK\$4.1 million for the six months ended 30 June 2022 from approximately HK\$0.8 million for the six months ended 30 June 2021. The change was mainly attributable to the increase in the exchange gains and the fair value gain on the biological assets for the six months ended 30 June 2022.

## **Selling and distribution expenses**

Selling and distribution expenses mainly consist of staff costs of the sales department and transportation expenses. Selling and distribution expenses decreased to approximately HK\$3.1 million for the six months ended 30 June 2022 from approximately HK\$3.4 million for the six months ended 30 June 2021, representing a decrease of approximately 8.6%. The decrease in the Group's selling expenses was mainly attributable to the decrease in the staff cost for the six months ended 30 June 2022.

## **Administrative expenses**

Administrative expenses primarily consist of staff costs, audit fee, directors' remuneration and legal and professional fees. Administrative expenses increased to approximately HK\$13.4 million for the six months ended 30 June 2022 from approximately HK\$11.5 million for the six months ended 30 June 2021, representing an increase of approximately 16.2%. Such increase was mainly attributable to the increase in staff costs and depreciation of right-of-use assets for the new business segment during the period.

## **Loss before income tax**

As a result of the aforesaid, the Group recorded a loss before income tax of approximately HK\$8.0 million for the six months ended 30 June 2022, representing a decrease of approximately 63.0% from approximately HK\$21.6 million for the corresponding period in the preceding year.

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

The total comprehensive loss attributable to owners of the parent was approximately HK\$10.5 million for the six months ended 30 June 2022. In comparison, for the corresponding period in 2021, a total comprehensive loss of approximately HK\$21.2 million was recorded. Such change was mainly due to the impairment loss of goodwill on the same period of the preceding year and the combined effect of increase in the Group's loss for the six months ended 30 June 2022 mentioned above.

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

The Company's basic and diluted loss per share for the six months ended 30 June 2022 was approximately HK1.95 cents (2021: HK6.55 cents), representing a decrease of approximately HK4.6 cents, or approximately 70.2%, which was primarily due to the decrease in loss for the six months ended 30 June 2022.

## **Interim dividend**

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2022 (2021: Nil).

## **Liquidity and financial resources**

For the six months ended 30 June 2022, the Group's operations were primarily financed through its operating and financing activities. The Directors believe that in the long term, the Group's operations will continue to be funded by a combination of cash generated from the Group's operating and financing activities.

The Group's cash and bank balances amounted to approximately HK\$29.4 million and approximately HK\$27.3 million as at 30 June 2022 and 31 December 2021, respectively. The functional currency of the Group is Hong Kong dollars. As at 30 June 2022, 98.2% of the Group's cash and bank balances were denominated in the functional currency (31 December 2021: 94.9%) and the remaining 1.8% (31 December 2021: 5.1%) in other currencies, mainly Renminbi and Australian Dollars.

As at 30 June 2022 and 31 December 2021, the Group had net current assets of approximately HK\$44.8 million and approximately HK\$58.4 million, respectively, which included trade receivables, prepayments, other receivables other assets, inventories, biological assets and cash and cash equivalents. The Group's current ratio decreased to approximately 1.6 as at 30 June 2022 from approximately 3.1 as at 31 December 2021 due to increase of the trade payable and borrowing.

## **Gearing ratio**

The Group's gearing ratio is calculated based on net debt (including borrowings, trade payables, other payables and accruals and lease liabilities, less cash and cash equivalents) divided by the total equity plus net debt at the respective reporting date. The gearing ratio as at 30 June 2022 and 31 December 2021 was approximately 29.2% and 0.9%, respectively. The Group believes that the cash at banks provide adequate liquidity to satisfy the Group's funding requirements.

## **Commitments**

As at 30 June 2022, the Group did not have any capital commitments (as at 31 December 2021: Nil).

## **CAPITAL STRUCTURE**

During the six months ended 30 June 2022, there was no change in the capital structure of the Group and the share capital of the Group only comprises ordinary shares of the Company (the “**Shares**”).

As at 30 June 2022, the Company’s issued share capital amounted to approximately HK\$20.5 million, divided by 409,141,860 Shares of HK\$0.05 each.

## **Significant investments**

There were neither significant investment held as at 30 June 2022 nor material acquisitions during the six months ended 30 June 2022.

There is no plan for material investment or capital assets as at 30 June 2022.

## **Material acquisitions or disposals of subsidiaries and affiliated companies**

For the six months ended 30 June 2022, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

## **Contingent liabilities**

As at 30 June 2022, the Group did not have material contingent liabilities (as at 31 December 2020: Nil).

## **Foreign exchange exposure**

The Group is exposed to foreign currency risk when it enters into transactions which are not denominated in the Group’s functional currency. Such exposure mainly relates to the distribution and sale of the Group’s products and purchases of raw materials in the PRC and the revenue and cost generated from equine related services in the Australia. The Group currently does not have a foreign currency hedging policy. Nevertheless, the Group’s management will continue to closely the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## **Pledge of assets**

As at 30 June 2022 and 31 December 2021, the Group's assets were pledged to lenders to secure certain borrowings granted to the Group. For details thereof please refer in Note 18 to the consolidated financial statements.

## **Employees and remuneration policies**

As at 30 June 2022, the Group employed a total of 154 employees (2021: 161), of whom 130 were located in the PRC and 24 were located in Hong Kong. The Group's staff costs mainly comprised wages and salaries, social insurance, housing provident fund and severance payments. For the six months ended 30 June 2022 and 2021, the Group's total staff costs (excluding Directors' emoluments) amounted to approximately HK\$10.9 million and HK\$10.0 million, respectively. The Group offers remuneration packages comprising basic salaries, discretionary bonuses and allowances to its management and office staffs. For the workers at the Guangzhou Production Facilities, the Group offers them with salaries above the minimum wage, promotion opportunities and budgets for social events.

The 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.

## USE OF PROCEEDS OF THE COMPANY'S INITIAL PUBLIC OFFERING

The Shares were successfully listed on GEM of the Stock Exchange (the “**Listing**”) on 15 December 2017 (the “**Listing Date**”) by way of share offer (the “**Share Offer**”). The Group raised net proceeds of approximately HK\$40.7 million from the Share Offer after deducting commission and expenses borne by the Company in connection with the Share Offer (the “**Net Proceeds**”). The Net Proceeds are intended to be used in accordance with the proposed implementation plans as disclosed under the section headed “Future Plans and Use of Proceeds” in the Prospectus. As at 30 June 2022, the unutilised Net Proceeds amounted to approximately HK\$8.7 million.

As at 30 June 2022, 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 2021 <i>HK\$ million</i>	Utilised during the six months ended 30 June 2022 <i>HK\$ million</i>	Unutilised as at 30 June 2022 <i>HK\$ million</i>	Expected timeline for utilising the unutilised amount <i>HK\$ million</i>
Upgrading the Group's machinery for the production of 100% spun polyester sewing threads for industrial use	20.3	3.1	17.2	–	17.2	(Note 1)
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	(Note 1)
Acquiring new cone winding machines	4.1	0.5	3.6	–	3.6	(Note 1)
Acquiring new machinery for the production of nylon threads	3.7	1.3	2.4	–	2.4	(Note 1)
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	–	–	–	
	40.7	12.0	28.7	–	28.7	
Repayment of bank facilities <sup>(Note 2)</sup>	–	20.0	20.0	–	20.0	
	<u>40.7</u>	<u>32.0</u>	<u>8.7</u>	<u>–</u>	<u>8.7</u>	



*Note 1:* Subsequent to the period under review, on 5 July 2022, the Company announced the further change in use of proceeds from the Share Offer. For details thereof please refer to the announcement of the Company dated 2 July 2021 headed “Change in Use of Proceeds”.

For the unutilised net proceeds, the Company intends to use them in the manner and proportions as described in the announcement of the Company dated 5 July 2022 in relation to the change in use of proceeds. The expected time for utilisation of unutilised net proceeds will be based on the future development of the Company. As at the date of this announcement, any unutilised net proceeds have been placed on bank in Hong Kong.

*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 for sewing thread business have been cancelled by the bank with effect from 29 April 2020. The Group has made its best efforts to obtain new banking facilities for its operation of sewing thread business and to continue with the implementation of the planned use of the Net Proceeds, however the Group is unable to obtain a new banking facilities for sewing thread business as at 30 June 2022.

### **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 30 June 2022, 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>	Unutilised as at 31 December 2021 <i>HK\$ Million</i>	Utilised during the six months ended 30 June 2022 <i>HK\$ Million</i>	Unutilised as at 30 June 2022 <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	1.7	-	-
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	15.8	-	-
	<u>31.2</u>	<u>13.7</u>	<u>17.5</u>	<u>17.5</u>	<u>-</u>	<u>-</u>

## FUTURE PROSPECTS

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

For the business line 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 this 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. We have also acquired a stake in a new sire Portland Sky, being a son of successful Hong Kong Sire Deep Field, which is standing at Widden Stud. In addition, we have acquired an interest in stallion prospect Mo'unga, a Group 1 winning son of Champion sire Savabeel, which is set to retire in 2023 and commence his stud career. Our acquisition also include promising young racehorses including Williamsburg, son of Snitzel, who has won in Group 3 race as a two year old. 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.

## **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 2022, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO"), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

## Long position in the Shares and Underlying Shares

### (a) Ordinary shares of the Company

Name of Director	Nature of interest/ Holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company (Note 1)
Mr. Wong Kwok Wai, Albert	Interest of a controlled corporation	120,000,000 (L) (Note 2)	29.33%
Mr. Leung King Yue, Alex	Beneficial interest	10,100,000 (L)	2.47%

### (b) Share options of the Company

Name of category of participant	Date of grant of share option	Exercisable period	Exercise price HK\$	Number of underlying shares in respect of which share option were granted				Outstanding at 30 June 2022
				Outstanding at 1 January 2022	Granted during the period	Exercised during the period	Lapsed during the period	
<b>Directors</b>								
Mr. Ma Pok Man, Josiah	13 May 2021	13 May 2021 – 12 May 2024	0.57	3,500,000	—	—	—	3,500,000
Mr. Shane McGrath	3 January 2022	3 January 2022 – 2 January 2025	0.492	—	4,091,418	—	—	4,091,418
<b>Other eligible participants</b>								
Nil	—	—	—	—	—	—	—	—
				<u>3,500,000</u>	<u>4,091,418</u>	<u>—</u>	<u>—</u>	<u>7,591,418</u>

*Notes:*

1. As at the date of this announcement, 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, 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 30 June 2022, 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 2022, the following persons or corporations (other than the Directors and the chief executive of the Company) who had interests and/or short positions in the shares or underlying shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

## Long position in the Shares and Underlying Shares

<b>Name of Substantial Shareholder</b>	<b>Nature of interest/ Holding capacity</b>	<b>Number of ordinary shares held</b>	<b>Percentage of issued share capital of the Company (Note 1)</b>
Three Gates Investment	Beneficial owner	120,000,000 (Notes 2, 3)	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 announcement, 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.

Save as disclosed above, as at 30 June 2022, 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 2022 and up to the date of this announcement, none of the Directors, controlling shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules), engaged in any businesses that competes or may compete with the business of the Group, or had any other conflict of interest with the Group.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to rule 17.50A(1) of the GEM Listing Rules, the changes in the information of Directors subsequent to the date of the Company's 2021 annual report are as follows:

<b>Directors</b>	<b>Changes in position held with the Company</b>
Mr. Chow Chin Hang, Joel	Mr. Chow resigned as portfolio manager and a responsible officer to carry out Type 4 and Type 9 regulated activities under the SFO at Perpetuum Wealth Management Limited since June 2022. Mr. Chow has served as a portfolio manager at Bowen Capital Limited since June 2022.

Save as disclosed above, there are no other matters required to be disclosed pursuant to rule 17.50A(1) of the GEM Listing Rules.

## CORPORATE GOVERNANCE PRACTICES

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

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

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

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



## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

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

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

## SHARE OPTION SCHEME

The Company has adopted a share option scheme (“**Share Option Scheme**”) on 24 November 2017 to provide incentive or rewards to participants including the Directors and eligible employees of the Group. More information of Share Option Scheme can be referred in the section headed “Share Option Scheme” in the Company's Prospectus dated 30 November 2017.

Movements of share options under the Share Option Scheme held by the Directors are as follows:

Name of category of participant	Date of grant of share option	Exercisable period	Exercise price HK\$	Number of underlying shares in respect of which share option were granted				
				Outstanding at 1 January 2022	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2022
<b>Directors</b>								
Mr. Ma Pok Man, Josiah	13 May 2021	13 May 2021 – 12 May 2024	0.57	3,500,000	—	—	—	3,500,000
Mr. Shane McGrath	3 January 2022	3 January 2022 – 2 January 2025	0.492	—	4,091,418	—	—	4,091,418
<b>Other eligible participants</b>								
Nil	—	—	—	—	—	—	—	—
				<u>3,500,000</u>	<u>4,091,418</u>	<u>—</u>	<u>—</u>	<u>7,591,418</u>

## CONNECTED TRANSACTIONS

### Shareholder's loan agreement between Mr. Wong and Tseyu International

On 31 March 2020, Mr. Wong Kwok Wai, Albert, a controlling shareholder of the Company and an executive Director (“**Mr. Wong**”), and Tseyu International Trading Company Limited (“**Tseyu International**”), a wholly-owned subsidiary of the Company, entered into a shareholder's loan agreement in respect of the shareholder's loans provided by Mr. Wong to Tseyu International. The shareholder's loans, amounting to HK\$19,171,000, are interest-free, unsecured and repayable in cash on demand. As the shareholder's loans were provided on normal commercial terms or better and were not secured by the assets of the Group, the shareholder's loans are fully exempt under Chapter 20 of the GEM Listing Rules. Details of the shareholder's loan agreement are set out in the circular dated 16 February 2021.

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

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

Save as disclosed above, there are no other transactions for the six months ended 30 June 2021 under the definition of connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules. The Company confirms that it has complied with the applicable disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

## EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Group after 30 June 2022 up to the date of this announcement.

## AUDIT COMMITTEE

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

The Audit Committee consists of three independent non-executive Directors, namely, Mr. Sung Alfred Lee Ming (the chairman of the Audit Committee), Mr. Chan Tsun Choi, Arnold and Mr. Chow Chin Hang, Joel. No member of the current Audit Committee is a member of the previous independent auditor of the Company. The Audit Committee has reviewed this announcement as well as the consolidated results of the Group for the six months ended 30 June 2022.

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

Hong Kong, 12 August 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 website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) for at least 7 days from the date of its publication and on the website of the Company at [www.shenyouholdings.com](http://www.shenyouholdings.com).*