Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

SHEN YOU HOLDINGS LIMITED
申西控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8377)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017, together with the comparative figures for the year ended 31 December 2016, which are presented in Hong Kong dollars ("**HK$**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
REVENUE	*5*	**74,371**	72,624
Cost of sales		**(48,853)**	(45,617)
Gross profit		**25,518**	27,007
Other income and gains	*5*	**642**	1,515
Selling and distribution expenses		**(6,408)**	(6,952)
Administrative expenses		**(9,831)**	(7,752)
Other expenses		**(20,108)**	(10,303)
Finance costs		**(2,291)**	(2,892)
(LOSS)/PROFIT BEFORE TAX	*6*	**(12,478)**	623
Income tax expense	*7*	**(712)**	(1,100)
LOSS FOR THE YEAR		**(13,190)**	(477)
ATTRIBUTABLE TO OWNERS OF THE PARENT		**(13,190)**	(477)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in HK cents per share)	*9*	**(2.16)**	(0.08)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2017	2016
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(13,190)**	(477)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investment:		
Change in fair value	**169**	(1,157)
Income tax effect	**(28)**	191
	141	(966)
Exchange differences on translation of foreign operations	**4,997**	(4,583)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**5,138**	(5,549)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(8,052)**	(6,026)
ATTRIBUTABLE TO OWNERS OF THE PARENT	**(8,052)**	(6,026)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2017** **HK$'000**	2016 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**6,902**	6,171
Available-for-sale investment		**4,474**	4,305
Prepayments, deposits and other receivables		**2,165**	1,226
Deferred tax assets		**1,338**	1,553
Total non-current assets		**14,879**	13,255
CURRENT ASSETS			
Inventories		**9,995**	9,751
Trade receivables	*10*	**24,900**	13,888
Prepayments, deposits and other receivables		**12,665**	5,059
Due from a related company		**–**	63,087
Pledged deposits		**9,000**	9,000
Cash and cash equivalents		**57,920**	799
		114,480	101,584
Assets classified as held for sale		**–**	3,495
Total current assets		**114,480**	105,079
CURRENT LIABILITIES			
Trade payables	*11*	**9,269**	8,538
Other payables and accruals		**15,709**	8,188
Interest-bearing bank borrowings	*12*	**22,627**	36,930
Tax payable		**1,943**	1,582
Government grants		**–**	–
Derivative financial instrument		**–**	–
Total current liabilities		**49,548**	55,238
NET CURRENT ASSETS		**64,932**	49,841
TOTAL ASSETS LESS CURRENT LIABILITIES		**79,811**	63,096
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**215**	135
Other payables and accruals		**1,512**	1,576
Total non-current liabilities		**1,727**	1,711
Net assets		**78,084**	61,385
EQUITY			
Share capital		**8,000**	–
Reserves		**70,084**	61,385
Total equity		**78,084**	61,385

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 18 August 2016. The registered office address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The shares of the Company were listed (the "**Listing**") on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 December 2017 (the "**Listing Date**").

In preparation for the listing of the shares of the Company on the Stock Exchange, the Group underwent a corporate reorganisation (the "**Reorganisation**"), pursuant to which the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 30 November 2017.

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

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

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investment and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flow and non-cash changes.

Other than as explained above regarding the impact of amendments to HKAS 7, the adoption of the above revised standards has had no significant financial effect on these financial statements of the Group.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treaments*[2]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to the following two HKFRSs: — HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*[1] — HKAS 28 *Investments in Associates and Joint Ventures*[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Other than explained below regarding the impact of HKFRS 9, HKFRS 15 and HKFRS 16, the Group expects that the adoption of the above new and revised standards will have no significant impact on these financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

All recognised financial assets that are within the scope of HKAS 39 are subsequently measured at amortised cost or fair value under HKFRS 9. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods and their fair value changes are recognised in profit or loss. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. All of the above represent new requirements for classification and measurement for financial assets under HKFRS 9 that will change the way the Group classifies and measures its financial assets under "financial assets at fair value through profit or loss", "loans and receivables" and "available-for-sale financial assets" under the existing HKAS 39.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

The Group is analysing its business models, contract terms and changes to its existing credit exposures to assess the potential impact on its financial statements resulting from the adoption of HKFRS 9. Given the nature of the Group's operation, it is expected that (1) the classification of the Group's available-for-sale investments under the existing HKAS 39 would be changed to "financial assets at fair value through profit or loss"; (2) the cumulative unrealised gain or loss arising from the changes in fair value of the Group's available-for-sale financial assets before adoption of HKFRS 9 of HK$825,000 would be reclassified from "available-for-sale investment revaluation reserve" to "retained profits"; (3) the unrealised gain or loss arising from the changes in fair value of the Group's financial assets at fair value through profit or loss since adoption of HKFRS 9 would be recognised in profit or loss; and (4) the impact regarding the impairments of the Group's financial instruments from these changes would not be material.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The Group has assessed that the adoption of HKFRS 15 will not have a significant impact on the Group's consolidated financial statements.

HKFRS 16, issued in May 2016, replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$9,299,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2017	2016
	HK$'000	*HK$'000*
Mainland China	**36,995**	38,733
Overseas	**27,759**	27,927
Hong Kong	**9,617**	5,964
	74,371	72,624

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

(b) *Non-current assets*

	2017	2016
	HK$'000	*HK$'000*
Mainland China	**8,671**	7,207
Hong Kong	**396**	190
	9,067	7,397

The non-current asset information is based on the locations of the assets and excludes deferred tax assets and an available-for-sale investment.

Information about a major customer

Revenue of approximately HK$20,932,000 (2016: HK$20,556,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**74,371**	72,624
Other income and gains		
Fair value gains, net:		
Derivative instrument – transactions not qualifying as hedges	**–**	249
Exchange gains, net	**–**	853
Gain on disposal of a subsidiary	**–**	217
Government grants*	**–**	191
Bank interest income	**–**	5
Gain on disposal of items of property, plant and equipment*	**20**	–
Gross rental income	**622**	–
	642	1,515

* Government grants have been received from the PRC government authorities in recognition of the Group's efforts for water processing construction in Guangzhou, the PRC. There were no unfulfilled conditions or contingencies in relation to the grants. They are released to other income and gains over the expected useful lives of the relevant assets. Upon the disposal of the relevant assets, the unrecognised government grants were fully released to other income and gains in 2016.

6. (LOSS)/PROFIT BEFORE TAX

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

	2017 *HK$'000*	2016 *HK$'000*
Cost of inventories sold	**48,853**	45,617
Depreciation	**307**	1,064
Recognition of prepaid lease payments for buildings	**330**	286
Minimum lease payments under operating leases:		
Land and buildings and office equipment	**1,872**	1,705
Contingent rent for production machinery	**–**	459
	1,872	2,164
Auditor's remuneration	**1,280**	200
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**13,283**	14,594
Pension scheme contributions	**1,217**	2,161
Severance payments	**663***	1,858*
	15,163	18,613
Listing expenses*	**18,547**	6,552
Fair value gain, net:		
Derivative instrument – transactions not qualifying as hedges**	**–**	(249)
Foreign exchange loss/(gain), net**	**1,419**	(853)
(Gain)/loss on disposal of items of property, plant and equipment**	**(20)**	1,893
Gain on disposal of a subsidiary**	**–**	(217)
Bank interest income	**–**	(5)
Impairment of trade receivables	**130**	–

* The listing expenses and severance payments are included in "Other expenses" in the consolidated statement of profit or loss.

** The losses and gains are included in "Other expenses" and "Other income and gains" in the consolidated statement of profit or loss, respectively.

*** The severance payments are included in "Administrative expenses" in the consolidated statement of profit or loss.

7. INCOME TAX

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2017 and 2016.

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. Preferential tax treatment is available to the Group's PRC subsidiary, 佛山市至華線業有限公司("**Zhihua**"), which was disposed of in June 2016, since it was qualified as a small and low-profit enterprise and was subject to income tax at a preferential tax rate of 20%. Besides, pursuant to Caishui [2014] No.34 and Caishui [2015] No.34, Zhihua was entitled to a further deduction of 50% of the taxable income.

	2017	2016
	HK$'000	*HK$'000*
Current — Hong Kong and Mainland China	**396**	663
Deferred	**316**	437
	712	1,100

8. DIVIDENDS

No dividend was proposed by the Group for the years ended 31 December 2017 and 2016.

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

	2017	2016
	HK cents	*HK cents*
Loss per share attributable to ordinary equity holders of the parent — Basic and diluted	**2.16**	0.08

The calculation of the basic and diluted loss per share is based on the loss for the year attributable to ordinary equity holders of the parent and the weighted average number of shares in issue during the year.

The calculation of basic and diluted loss per share is based on:

	2017	2016
	HK$'000	*HK$'000*
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	**13,190**	477

	2017	2016
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**609,315,068**	600,000,000

The calculation of the weighted average number of ordinary shares is as follows:

	2017	2016
Issue of share on 18 August 2016 (date of incorporation)	**1**	1
Effect of capitalisation issue	**599,999,999**	599,999,999
Effect of initial public offering on the Listing Date	**9,315,068**	–
Weighted average number of ordinary shares	**609,315,068**	600,000,000

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during those years.

10. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**25,012**	13,888
Impairment	**(112)**	–
	24,900	13,888

Trade receivables represented the outstanding contracted value for the sale of goods receivable from the customers at each reporting date.

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 61% (2016: 51%) of the trade receivables were derived from five customers as at 31 December 2017. The trade receivables from such customers 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 as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**16,428**	8,908
1 to 2 months	**4,113**	3,119
2 to 3 months	**664**	1,304
Over 3 months	**3,695**	557
	24,900	13,888

11. TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**2,620**	2,622
1 to 2 months	**1,200**	2,063
2 to 3 months	**1,045**	938
Over 3 months	**4,404**	2,915
	9,269	8,538

The trade payables are unsecured, non-interest-bearing and are normally settled in 30 to 90 days, extending to longer periods for those long standing suppliers.

12. INTEREST-BEARING BANK BORROWINGS

	2017		
	Effective interest rate (%)	**Maturity**	***HK$'000***
Current			
Bank loans — secured	3.8 to 6.0	On demand	22,627

	2016		
	Effective interest rate (%)	Maturity	*HK$'000*
Current			
Bank loans — secured	2.5 to 6.5	On demand	31,913
Bank overdrafts — secured	5.3 to 6.0	On demand	5,017
			36,930

Analysed into:

	2017 ***HK$'000***	2016 *HK$'000*
Bank loans and overdrafts repayable on demand	**22,627**	36,930

Interest-bearing bank borrowings are denominated in:

	2017 ***HK$'000***	2016 *HK$'000*
HK$	**15,006**	26,567
RMB	**–**	1,230
United States Dollar ("**US$**")	**7,621**	9,133
	22,627	36,930

Notes:

(a) HK Interpretation 5 *Presentation of Financial Statements — Classification* by the Borrower of a Term Loan that Contains a Repayment on Demand Clause issued by the HKICPA requires that a loan which includes a clause that gives the lender the unconditional right to call in the loan at any time ("**repayment on demand clause**") shall be classified in total by the borrower as current in the statement of financial position. Interest-bearing bank loans and overdrafts of the Group in the amount of HK$22,627,000 (2016: HK$36,930,000) include a repayment on demand clause under the relevant loan agreements, among which balances amounting to HK$2,753,000 (2016: HK$4,574,000) that are repayable after one year from 31 December 2017 have been classified as current liabilities. For the purpose of the above analysis, such loans are included within current secured bank loans and analysed into bank loans repayable on demand.

(b) The Group's bank facilities (including overdraft facilities) amounted to HK$29,637,000 (2016: HK$40,371,000), of which HK$22,627,000 (2016: HK$36,930,000) had been utilised as at 31 December 2017.

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

	Carrying amounts	
	2017	2016
	HK$'000	*HK$'000*
Property, plant and equipment	**–**	4,212
Available-for-sale investment	**4,474**	4,305
Trade receivables	**12,593**	6,405
Pledged deposits	**9,000**	9,000
Assets classified as held for sale	**–**	3,298
	26,067	27,220

(d) As at 31 December 2016, certain of the Group's bank loans were guaranteed by Mr. Wong, a director of the Company, which was released on the Listing Date.

(e) As at 31 December 2016, the Group's bank loans of HK$6,053,000 were secured by the Government of the Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

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

Business Review

For the year ended 31 December 2017, the Group's revenue increased slightly by approximately 2.4% as compared with that for the year ended 31 December 2016. The gross profit margin decreased to approximately 34.3% for the year ended 31 December 2017 from 37.2% for the preceding year. The decrease in gross profit margin was mainly attributable to the appreciation of Renminbi against Hong Kong dollars.

Non-recurring listing expenses of approximately HK$18.5 million were recognised in the Group's consolidated statement of profit or loss during the year ended 31 December 2017, which significantly affected the financial results of the Group for the year ended 31 December 2017. As a result, the net loss attributable to the owners of the Company increased to approximately HK$13.2 million for the year ended 31 December 2017 as compared to approximately HK$0.5 million for the year ended 31 December 2016, representing an increase of approximately 2,665.2%.

On 15 December 2017, the shares of the Company (the "**Share(s)**") were successfully listed on GEM of the Stock Exchange (the "**Listing**") by way of share offer (the "**Share Offer**"). After deducting all the relevant commission and expenses in relation to the Listing, net proceeds amounting to approximately HK$40.7 million have been raised from the Listing. The Group will utilise such net proceeds by implementing its corporate plans in accordance with the business strategies as set out under the section headed "Future Plans and Use of Proceeds" in its prospectus dated 30 November 2017 (the "**Prospectus**").

Financial Review

Revenue

The Group's products are sold in the PRC, Hong Kong as well as overseas. The following table sets out a breakdown of the Group's revenue attributable to domestic and overseas sales of the Group's sewing threads for each of the two years ended 31 December 2017:

	Year ended 31 December				
	2017		2016		Rate of
		% of total		*% of total*	change
	HK$'000	***revenue***	*HK$'000*	*revenue*	%
PRC	**36,995**	**49.8**	38,733	53.3	(4.5)
Hong Kong	**9,617**	**12.9**	5,964	8.2	61.3
Overseas *(Note)*	**27,759**	**37.3**	27,927	38.5	(0.6)
	74,371	**100.0**	72,624	100.0	2.4

Note: For the years ended 31 December 2017 and 2016, the Group exported its products to countries including but not limited to UAE, Mauritius, Australia, Germany and the United Kingdom.

The following table sets out the breakdown of the revenue by product that the Group offers for sale for each of the two years ended 31 December 2017:

	Year ended 31 December				
	2017		2016		Rate of
		% of total		*% of total*	change
	HK$'000	***revenue***	*HK$'000*	*revenue*	%
100% spun polyester sewing threads	**68,369**	**91.9**	65,267	89.9	4.8
Other threads *(Note)*	**6,002**	**8.1**	7,357	10.1	(18.4)
	74,371	**100.0**	72,624	100.0	2.4

Note: Other threads comprise textured polyester series, elastic filament sewing threads and weft yarn.

The selling price of the Group's products primarily depends on, among other things, costs of materials, labour costs and the specification requirements of the products. The Group generally determines the price of its products, including 100% spun polyester sewing threads and other threads, on a "cost-plus" basis, which comprises mainly the cost of raw materials, labour costs and the profit margin of the Group.

The Group's revenue increased to approximately HK$74.4 million for the year ended 31 December 2017 from approximately HK$72.6 million for the year ended 31 December 2016, representing an increase of approximately 2.4%. Such increase in the Group's revenue was mainly attributable to an increase in sales in the Hong Kong market.

Cost of sales

The Group's cost of sales primarily consists of direct material costs, processing fees and direct labour costs. The cost of sales increased to approximately HK$48.9 million for the year ended 31 December 2017 from approximately HK$45.6 million for the year ended 31 December 2016, representing an increase of approximately 7.1%. The Group's cost of sales increased along with the increase in the Group's revenue for the year ended 31 December 2017.

Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK$25.5 million for the year ended 31 December 2017 from approximately HK$27.0 million for the year ended 31 December 2016, representing a decrease of approximately 5.5%. The decrease was mainly attributable to the appreciation of Renminbi against Hong Kong dollars. The Group's gross profit margin decreased to approximately 34.3% for the year ended 31 December 2017 from approximately 37.2% for the year ended 31 December 2016, which was also a result of the appreciation of Renminbi against Hong Kong dollars.

Other losses, net

The Group's other losses, net increased to approximately HK$19.5 million for the year ended 31 December 2017 from approximately HK$8.8 million for the year ended 31 December 2016, representing an increase of approximately 121.5%. Such increase was mainly attributable to the increase in non-recurring listing expenses from approximately HK$6.6 million for the year ended 31 December 2016 to approximately HK$18.5 million for the year ended 31 December 2017 and incurrence of exchange loss.

Selling expenses

Selling expenses mainly consist of staff costs of the sales department, transportation expenses and office expenses. Selling expenses decreased to approximately HK$6.4 million for the year ended 31 December 2017 from approximately HK$7.0 million for the year ended 31 December 2016, representing a decrease of approximately 7.8%. The decrease in the Group's selling expenses was mainly attributable to the decrease in staff costs of the sales department.

Administrative expenses

Administrative expenses primarily consist of staff costs of the administration department, rental expenses, auditor's remuneration, directors' remuneration, severance payment and office expenses. Administrative expenses increased to approximately HK$9.8 million for the year ended 31 December 2017 from approximately HK$7.8 million for the year ended 31 December 2016, representing an increase of approximately 26.8%. Such increase was mainly attributable to the increase in auditor's remuneration, severance payment and Directors' remuneration.

Listing expenses

For the year ended 31 December 2017, the Group recognised non-recurring listing expenses of approximately HK$18.5 million in the consolidated statement of profit or loss while listing expenses of approximately HK$6.6 million were recorded for the year ended 31 December 2016. Hence, the financial results of the Group for the year ended 31 December 2017 have been significantly affected by the increase in the listing expenses.

Finance costs

The Group's finance costs decreased by approximately HK$0.6 million, or approximately 20.8%, from approximately HK$2.9 million for the year ended 31 December 2016 to approximately HK$2.3 million for the year ended 31 December 2017, which was due to a decrease in average loan balance for the year ended 31 December 2017.

Loss before income tax

As a result of the foregoing, the Group recorded a loss before income tax of approximately HK$12.5 million for the year ended 31 December 2017 as opposed to a profit before income tax of approximately HK$0.6 million for the year ended 31 December 2016. Should the non-recurring listing expenses of approximately HK$18.5 million be excluded, the profit before income tax would be approximately HK$6.1 million.

Income tax expenses

The income tax expenses of the Group decreased from approximately HK$1.1 million for the year ended 31 December 2016 to approximately HK$0.7 million for the year ended 31 December 2017. The effective tax rate decreased from approximately 176.5% for the year ended 31 December 2016 to approximately negative 5.6% for the year ended 31 December 2017, which was mainly due to the fact that the non-recurring listing expenses of approximately HK$18.5 million could not be deducted for the computation of corporate income tax.

Total comprehensive loss attributable to the owners of the Company

The total comprehensive loss attributable to owners of the Company increased to approximately HK$8.1 million for the year ended 31 December 2017 from approximately HK$6.0 million for the year ended 31 December 2016, representing an increase of approximately 33.6%. If the non-recurring listing expenses of approximately HK$18.5 million (31 December 2016: approximately HK$6.6 million) were excluded, the Group's adjusted total comprehensive income attributable to owners of the Company for the year ended 31 December 2017 would be approximately HK$10.5 million, representing an increase of approximately 1,895.2% as compared to the adjusted total comprehensive income attributable to owners of the Company for the year ended 31 December 2016 of approximately HK$0.5 million.

Basic and diluted loss per Share

The Company's basic and diluted loss per Share for the year ended 31 December 2017 was approximately HK2.16 cents (2016: HK0.08 cents), representing an increase of approximately HK2.08 cents, or approximately 2,600.0%, which is in line with the increase in net loss for the year attributable to the owners of the Company, when compared to the year ended 31 December 2016.

Final dividend

The Board did not recommend the payment of final dividend for the year ended 31 December 2017 (2016: Nil).

Liquidity and Financial Resources

For the year ended 31 December 2017, the Group's operations were primarily financed through its financing activities. The Directors believe that in the long term, the Group's operations will continue to be funded by a combination of cash generated from the Group's operating activities and financing activities.

The Group's cash and bank balances amounted to approximately HK$57.9 million and approximately HK$0.8 million as at 31 December 2017 and 2016, respectively. The functional currency of the Group is the Hong Kong dollar. As at 31 December 2017, 96.4% of the Group's cash and bank balances were denominated in the functional currency (31 December 2016: 0.1%) and the remaining 3.6% (31 December 2016: 99.9%) in other currencies, mainly the Renminbi.

As at 31 December 2017 and 2016, the Group had net current assets of approximately HK$64.9 million and approximately HK$49.8 million, respectively, which included trade receivables, prepayments, deposits and other receivables, inventories, cash and cash equivalents and pledged deposits. The Group's current ratio increased from approximately 1.9 as at 31 December 2016 to approximately 2.3 as at 31 December 2017. Such increase was mainly due to the increase in cash and cash equivalents as at 31 December 2017. The Group's bank borrowings decreased from approximately HK$36.9 million as at 31 December 2016 to approximately HK$22.6 million as at 31 December 2017. Such decrease was mainly due to the sufficient cash flows for the year ended 31 December 2017.

Gearing Ratio

The Group's gearing ratio is calculated based on net debt (including interest-bearing bank borrowings, trade payables and other payables and accruals, less cash and cash equivalents) divided by the total equity plus net debt at the respective reporting date. The gearing ratio was not applicable to the Group as at 31 December 2017 as its cash and bank balances were more than its bank borrowings. As at 31 December 2016, the gearing ratio was approximately 47.0%. The Group believes that the bank balances and the bank borrowings provide adequate liquidity to satisfy the Group's funding requirements.

Commitments

The Group's operating lease commitments were primarily related to leases of land and buildings and office equipment. For each of the two years ended 31 December 2017, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Within one year	**1,930**	1,866
In the second to fifth years, inclusive	**6,485**	6,303
After five years	**884**	2,416
	9,299	10,585

As at 31 December 2017, the Group also had capital commitments amounting to approximately HK$6.6 million (as at 31 December 2016: Nil).

Capital Structure

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

As at 31 December 2017, the Company's issued share capital amounting to HK$8.0 million, divided by 800,000,000 shares of HK$0.01 each.

Significant Investments

As at 31 December 2017, the Group did not hold any significant investments (as at 31 December 2016: Nil).

Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies

On 22 June 2017, the Group completed a group reorganisation (the "**Reorganisation**"), details of which are set out in the section headed "History, Reorganisation and Corporate Structure" of the Prospectus. Subsequent to the completion of the Reorganisation and up to 31 December 2017, the Group did not have any acquisitions or disposals of subsidiaries and affiliated companies.

Future Plans for Material Investments and Capital Assets

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

Contingent Liabilities

As at 31 December 2017, the Group did not have material contingent liabilities (as at 31 December 2016: Nil).

Foreign Exchange Exposure

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

Pledge of Assets

For each of the two years ended 31 December 2017, the following assets were pledged to banks to secure certain bank borrowings granted to the Group:

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Property, plant and equipment	**–**	4,212
Available-for-sale investment	**4,474**	4,305
Trade receivables	**12,593**	6,405
Pledged deposits	**9,000**	9,000
Assets classified as held for sale	**–**	3,298
	26,067	27,220

Employees and Remuneration Policies

As at 31 December 2017, the Group employed a total of 178 employees (31 December 2016: 206), of whom 173 were located in the PRC and five 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 years ended 31 December 2017 and 2016, the Group's total staff costs (excluding Directors' emoluments) amounted to approximately HK$15.2 million and HK$18.6 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 such as birthday celebrations.

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

Compliance with Laws and Regulations

For the year ended 31 December 2017, the Group mainly carried out its businesses in Hong Kong and the PRC. As disclosed in the Prospectus, Guangzhou Xinhua Thread Co., Ltd.* (廣州新華線業有限公司), being an indirect wholly-owned subsidiary of the Company, had failed to make social security fund and/or housing provident fund payments for its employees during the period from 1 January 2015 to 30 June 2017. Since July 2017, the Group has made full contribution to these funds for its employees to the extent required by the relevant authorities in the PRC or has accordingly made provisions for any unpaid contributions.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries and save as disclosed above, 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 Policy

To minimise the impact of the Group's business on the environment, energy saving measures and eco-friendly measures have been adopted at the office. The Group encourages its employees to reduce energy consumption and will continue to promote a positive attitude in relation to environmental protection. For the year ended 31 December 2017, the Group had complied with the relevant regulatory requirements in relation to environmental laws and regulations that would have a significant impact on the Group.

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.

* For identification purpose only

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 four months to 19 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

The Shares were successfully listed on GEM of the Stock Exchange on 15 December 2017 (the "**Listing Date**"). The Group raised the 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 31 December 2017, the unutilised Net Proceeds amounted to approximately HK$40.7 million.

The following table sets forth a breakdown of the use of the Net Proceeds during the period from the Listing Date up to 31 December 2017:

	Net proceeds available *HK$ million*	**Utilised** *HK$ million*	**Unutilised** *HK$ million*
Upgrading the Group's machinery for the production of 100% spun polyester sewing threads for industrial use	20.3	–	20.3
Upgrading the Group's machinery for the production of 100% spun polyester sewing threads for domestic use	7.7	–	7.7
Acquiring new cone winding machines	4.1	–	4.1
Acquiring new machinery for the production of nylon threads	3.7	–	3.7
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	–	40.7

Since the Listing Date is close to 31 December 2017, being the Company's year-end date, the Company is in the preliminary stage of carrying out its implementation plan and business strategies as disclosed in the Prospectus.

Future Prospects

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

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

OTHER INFORMATION

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 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, the Board is of the view that the Company has complied with the code provisions of the CG code during 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 and management of the Group since 2008. The Directors consider 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 this arrangement and consider splitting the roles of the 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.

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 2017 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.

On 24 November 2017, each of Mr. Wong Kwok Wai, Albert and Three Gates Investment Limited, being the controlling shareholders of the Company, 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 since the Listing Date and up to the date of this announcement.

The Board confirms that as at the date of this announcement, 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.

Interests of Compliance Adviser

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

Events After the Year Ended 31 December 2017

There is no material subsequent event undertaken by the Company or the Group after 31 December 2017 and up to the date of this announcement.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the best of the knowledge of the Directors, the Directors confirm that the Company has complied with the minimum public float of not less than 25% of the Company's issued shares as required under the GEM Listing Rules since the Listing Date and up to the date of this announcement.

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), Dr. Yeung Ngai Man, John and Mr. To King Yan, Adam. No member of the current Audit Committee is a member of the previous independent auditor of the Company. The Audit Committee has reviewed this announcement as well as the consolidated financial statements of the Group for the year ended 31 December 2017.

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 2017 containing all the information required by the GEM Listing Rules will be published on the respective websites of the Company and the Stock Exchange 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 2017 as set out in this preliminary announcement have been agreed by the Group's independent auditor, Ernst & Young, Certified Public Accountants of Hong Kong ("**Ernst & Young**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standards on Assurance Engagements issued by Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement of results.

Annual General Meeting and Closure of the Register of Members

The forthcoming annual general meeting ("**AGM**") of the Company will be held on Friday, 11 May 2018 at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong. 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, 8 May 2018 to Friday, 11 May 2018, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 7 May 2018.

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

Hong Kong, 28 March 2018

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

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.shenyouholdings.com.