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盛源控股有限公司

SHENG YUAN HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock code: 851)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the “Directors”, collectively referred to as the “Board”) of Sheng Yuan Holdings Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016 together with the comparative figures for the corresponding year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
Revenue	4	69,475	405,678
Other gains and losses	5	24,342	46,919
Other income	6	2,522	1,756
Purchase of inventories for trading business		–	(224,074)
Staff costs		(47,286)	(161,523)
Depreciation		(538)	(1,036)
Finance costs	7	(30,319)	(34,936)
Other expenses		(36,302)	(50,374)
Share of results of associates		3,078	(14,140)

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss before income tax	8	(15,028)	(31,730)
Income tax expense	9	<u>(1,879)</u>	<u>(2,668)</u>
Loss for the year		<u>(16,907)</u>	<u>(34,398)</u>
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
– Exchange differences on translation of financial statements of foreign operations		<u>(5,162)</u>	<u>(4,491)</u>
Other comprehensive income for the year		<u>(5,162)</u>	<u>(4,491)</u>
Total comprehensive income for the year		<u>(22,069)</u>	<u>(38,889)</u>
Loss for the year attributable to:			
– Owners of the Company		(16,911)	(34,385)
– Non-controlling interests		<u>4</u>	<u>(13)</u>
		<u>(16,907)</u>	<u>(34,398)</u>
Total comprehensive income for the year attributable to:			
– Owners of the Company		(22,073)	(38,876)
– Non-controlling interests		<u>4</u>	<u>(13)</u>
		<u>(22,069)</u>	<u>(38,889)</u>
		<i>HK cent</i>	<i>HK cent</i>
Loss per share	<i>11</i>		
– Basic		<u>(0.48)</u>	<u>(0.99)</u>
– Diluted		<u>(0.56)</u>	<u>(0.99)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		575	1,046
Trading rights		3,322	3,322
Goodwill		7,000	–
Interests in an associate		72,334	73,945
Derivative financial instruments		–	3,667
Other assets		1,730	1,730
Deferred tax asset		144	–
		<u>85,105</u>	<u>83,710</u>
Current assets			
Trade and other receivables and prepayments	<i>12</i>	31,970	291,230
Held for trading investments	<i>13</i>	232,157	184,304
Current tax assets		1,413	–
Trust bank balances held on behalf of clients		301,145	51,381
Cash and cash equivalents		126,461	60,536
		<u>693,146</u>	<u>587,451</u>
Current liabilities			
Trade and other payables and accruals	<i>14</i>	419,549	117,030
Borrowings		26,427	222,314
Convertible bonds		165,802	–
Current tax liabilities		34	5,067
		<u>611,812</u>	<u>344,411</u>
Net current assets		<u>81,334</u>	<u>243,040</u>
Total assets less current liabilities		<u>166,439</u>	<u>326,750</u>
Non-current liabilities			
Convertible bonds		–	148,462
		–	148,462
Net assets		<u><u>166,439</u></u>	<u><u>178,288</u></u>

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
EQUITY			
Share capital		177,128	174,328
Reserves		(28,495)	(13,842)
Equity attributable to owners of the Company		148,633	160,486
Non-controlling interests		17,806	17,802
Total equity		166,439	178,288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

Sheng Yuan Holdings Limited (the “Company”) is an exempted company with limited liability incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is Suites 4301-5, 43/F., Tower 1, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

The Company is an investment holding company. Its subsidiaries are principally engaged in provision of securities brokerage and financial services, asset management services, proprietary trading and trading business.

The consolidated financial statements for the year ended 31 December 2016 were approved for issue by the board of directors on 17 March 2017.

2. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

2.1 New or amended HKFRSs effective for annual period beginning on or after 1 January 2016

In the current year, the Group has applied the new standards, amendments and interpretations which are effective for the Group’s financial statements for the annual period beginning on 1 January 2016. HKFRSs include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The adoption of new or amended HKFRSs has no material impact on the Group’s financial statements.

2.2 New or amended HKFRSs that have been issued but are not yet effective

At the date of authorisation of these financial statements, certain new or amended HKFRSs have been issued but are not yet effective. The Group has not early adopted these new or amended HKFRSs in the financial statements for the year ended 31 December 2016. The directors of the Company anticipate that these pronouncements will be adopted in the Group’s accounting policies for the first period beginning after the effective date of the pronouncement.

Information on new or amended HKFRSs that have not been adopted early by the Group but expected to have impact on the Group’s accounting policies is provided below. Other new or amended HKFRSs have been issued but are not yet effective and not adopted in advance are not expected to have a material impact on the Group’s consolidated financial statements.

Amendments to HKAS 7, Disclosure Initiative

The amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

HKFRS 9 (2014), Financial Instruments

HKFRS 9 (2014) introduced new requirements for the classification and measurement of financial assets. Under HKFRS 9 (2014), all recognised financial assets that are within the scope of HKAS 39, Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt instruments 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 the 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 through profit or loss at the end of the subsequent accounting periods. In addition, under HKFRS 9 (2014), 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.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of financial liability that is attributable to change in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 (2014) requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9 (2014), greater flexibility has been introduced to the types of transaction eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principal of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s management activities have also been introduced.

HKFRS 9 (2014) will be effective for accounting period beginning on or after 1 January 2018. The directors of the Company anticipate that the application of HKFRS 9 (2014) in the future may have a material impact on amounts reported in respect of the Group’s financial assets and financial liabilities. However, it is not practicable to provide reasonable estimate of the effect of HKFRS 9 (2014) until the Group completed a detailed review.

HKFRS 15, Revenue from Contracts with Customers

HKFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued amendments to HKFRS 15, clarifying the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

HKFRS 15, including the amendments, will be effective for accounting period beginning on or after 1 January 2018. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group completed a detailed review.

HKFRS 16, Leases

The HKICPA has published the new lease standard in May 2016. The new standard will have a significant impact on many entities across various industries. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations.

From the perspective as a lessee, under the existing standard, leases are classified as either finance lease or operating lease, resulting in different accounting treatment. Finance leases are required to be accounted for “On Balance Sheet” (i.e. lease asset and corresponding liabilities are recognised in the statement of financial position); while operating lease is accounted for “Off Balance Sheet” where no asset or liabilities are recognised and the lease expenses are recognised on a straight-line basis along the lease period. Under the new standard, “On Balance Sheet” accounting treatment is required for all leases, except for certain short-term leases and leases of low-value assets.

From the perspective as a lessor, HKFRS 16 substantially carried forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will be effective for accounting period beginning on 1 January 2019. The directors of the Company anticipate that the application of HKFRS 16 in the future will have impact on the amounts reported in respect of the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 16 until the Group completed a detailed review.

3. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group’s business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group’s major service lines as follows:

- (a) securities brokerage and financial services – provision of discretionary and non-discretionary dealing services for securities, securities placing and underwriting services, margin financing and money lending services, corporate finance advisory and general advisory services;
- (b) asset management services – provision of fund management and discretionary portfolio management and investment advisory services;
- (c) proprietary trading – investment holding and securities trading; and
- (d) trading business – trading of chemical products and energy and minerals products.

No operating segments identified have been aggregated in arriving at the reportable segments of the Group. Each of these operating segments is managed separately as each of the service lines requires different resources as well as marketing approaches.

2016	Securities brokerage and financial services <i>HK\$'000</i>	Asset management services <i>HK\$'000</i>	Proprietary trading <i>HK\$'000</i>	Trading business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
From external customers	22,396	47,079	–	–	69,475
From other segments	2,000	563	–	–	2,563
Reportable segment revenue	24,396	47,642	–	–	72,038
Reportable segment result	3,034	6,502	25,666	(3,285)	31,917
Impairment losses on trade receivables	221	–	–	–	221
Interest income from margin financing and money lending service	98	–	–	–	98
Decrease in net assets attributable to other holders of redeemable shares of a consolidated investment fund	–	–	1,390	–	1,390
Increase in third party interests in collective investment schemes	–	–	1,019	–	1,019
Depreciation	187	64	17	57	325
Fair value gain on held for trading investments	–	–	28,083	–	28,083
Finance costs	–	–	–	1,707	1,707
Reportable segment assets	314,783	27,094	233,054	106	575,037
Expenditures for additions to non-current segment assets*	–	7,062	–	–	7,062
Reportable segment liabilities	343,451	12,982	73,033	17	429,483

2015	Securities brokerage and financial services <i>HK\$'000</i>	Asset management services <i>HK\$'000</i>	Proprietary trading <i>HK\$'000</i>	Trading business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
From external customers	130,634	40,852	–	234,192	405,678
From other segments	66	–	–	–	66
Reportable segment revenue	130,700	40,852	–	234,192	405,744
Reportable segment result	14,230	6,939	4,286	(5,865)	19,590
Interest income from margin financing and money lending service	2,911	–	–	–	2,911
Increase in net assets attributable to other holders of redeemable shares of a consolidated investment fund	–	–	2,811	–	2,811
Depreciation	701	25	17	62	805
Fair value gain on held for trading investments	–	–	48,649	–	48,649
Finance costs	1	–	14	9,559	9,574
Reportable segment assets	93,092	27,039	185,382	224,228	529,741
Expenditures for additions to non-current segment assets*	118	–	–	–	118
Reportable segment liabilities	75,329	18,678	21,968	222,356	338,331

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that changes in fair value of derivative financial instruments; other income (excluding dividend income); directors' emoluments; interest expenses on convertible bonds, other borrowings and loans from a shareholder; share of results of associates accounted for using the equity method; income tax expense; and corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segments. Common expenditures are allocated between operating segments based on proportion of segment revenue where necessary. Inter-segment revenue are charged on the expenses incurred by the relevant subsidiary plus certain percentage.

Segment assets include all assets but interests in an associate; current tax assets; deferred tax assets; derivative financial instruments and bank balances of the Group. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarters. Segment liabilities include all liabilities but loans from a shareholder, convertible bonds and current tax liabilities. In addition, corporate liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

The totals presented for the Group's operating segments are reconciled to the Group's key financial figures as presented in the financial statements as follows:

	2016	2015
	HK\$'000	HK\$'000
Reportable segment revenue	72,038	405,744
Elimination of inter-segment revenue	(2,563)	(66)
Group's revenue	69,475	405,678
Reportable segment result	31,917	19,590
Changes in fair value of derivative financial instruments	(3,667)	4,825
Other income	22	42
Finance costs	(28,612)	(25,362)
Share of results of associates	3,078	(14,140)
Corporate expenses**	(17,766)	(16,685)
Group's loss before income tax	(15,028)	(31,730)
Reportable segment assets	575,037	529,741
Interests in an associate	72,334	73,945
Deferred tax assets	144	–
Current tax assets	1,413	–
Derivative financial instruments	–	3,667
Cash and cash equivalents	126,461	60,536
Corporate assets	2,862	3,272
Group's assets	778,251	671,161
Reportable segment liabilities	429,483	338,331
Loans from a shareholder	15,387	–
Current tax liabilities	34	5,067
Convertible bonds	165,802	148,462
Corporate liabilities	1,106	1,013
Group's liabilities	611,812	492,873

** mainly staff costs, including directors' emoluments, minimum lease payments under operating leases in respect of land and buildings and other professional fees

	Reportable segment total		Unallocated		Consolidated	
	2016	2015	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other material items						
Depreciation	325	805	213	231	538	1,036
Finance costs	1,707	9,574	28,612	25,362	30,319	34,936
Expenditures for additions to non-current assets*	<u>7,062</u>	<u>118</u>	<u>19</u>	<u>15</u>	<u>7,081</u>	<u>133</u>

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's non-current assets*. The geographical location of customers is based on the location at which the subsidiary operates. The geographical location of non-current assets* is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operations to which they are allocated, in the case of trading rights and goodwill, and the location of the operations, in the case of interests in an associate.

	Revenue from			
	external customers		Non-current assets*	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (domicile)#	66,477	403,266	10,785	4,180
Mainland China	2,998	2,412	72,446	74,133
	<u>69,475</u>	<u>405,678</u>	<u>83,231</u>	<u>78,313</u>

* Non-current assets exclude derivative financial instruments, deferred tax assets and other assets.

The Company is an investment holding company incorporated in Bermuda where the Group does not have any activities. The Group has the majority of its operations in Hong Kong, and therefore, Hong Kong is considered as the Group's place of domicile for the purpose of disclosures as required by HKFRS 8, Operating Segments.

The Group's customers include the following with whom transactions have exceeded 10% of the Group's revenue:

	2016	2015
	HK\$'000	HK\$'000
Customer A <i>(note i)</i>	–	234,192
Customer B <i>(note ii)</i>	–	67,566
Customer C <i>(note iii)</i>	15,782	N/A
	_____	_____

Notes:

- i. Revenue from this customer is attributable to trading business segment
- ii. Revenue from this customer is attributable to securities brokerage and financial services segment
- iii. Revenue from this customer is attributable to asset management segment, revenue attributable to this customer for the year ended 31 December 2015 is less than 10% of the Group's revenue for that year

4. REVENUE

	2016	2015
	HK\$'000	HK\$'000
Commission and brokerage income from securities dealing and handling fee income	2,727	4,952
Financial advisory and consultancy fee income	1,686	1,317
Fund and portfolio management and investment advisory fee income	47,075	39,703
Fund and portfolio performance and incentive fee income	4	1,149
Interest income from margin financing and money lending service	98	2,911
Trading of goods and products	–	234,192
Underwriting and placing commission income	17,885	121,454
	_____	_____
	69,475	405,678
	_____	_____

5. OTHER GAINS AND LOSSES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Changes in fair value of financial instruments classified as held for trading	24,415	53,474
Changes in net assets attributable to other holders of redeemable shares of a consolidated investment fund	1,390	(2,811)
Changes in third party interests in collective investment schemes	(1,019)	–
Impairment losses on trade receivables	(221)	–
Net foreign exchange losses	(250)	(3,741)
Net losses on disposals of property, plant and equipment	–	(3)
Others	27	–
	<u>24,342</u>	<u>46,919</u>

6. OTHER INCOME

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Dividend income	2,500	1,714
Interest income from banks and others	22	41
Sundry income	–	1
	<u>2,522</u>	<u>1,756</u>

7. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Effective interest on liability component of convertible bonds	28,140	25,362
Interest on bank and other borrowings	1,707	9,574
Interest on loans from a shareholder	472	–
	<u>30,319</u>	<u>34,936</u>

8. LOSS BEFORE INCOME TAX

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss before income tax is arrived at after charging:		
Auditor's remuneration	1,400	1,280
Minimum lease payments under operating leases in respect of land and buildings	8,920	6,756
Staff costs, including directors' emoluments		
– Fees, salaries, allowances and bonuses	45,745	160,468
– Retirement benefit scheme contributions	1,541	1,055*
	47,286	161,523

* The amount included forfeited contributions of HK\$384,000 in respect of employees who leave employment prior to such contributions vesting fully in accordance with the rules of the MPF Scheme.

9. INCOME TAX EXPENSE

For the years ended 31 December 2016 and 2015, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits for the respective years.

For the years ended 31 December 2016 and 2015, no provision for PRC Corporate Income Tax has been made as the Group did not derive any assessable profits in the PRC for the respective years.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax – Hong Kong profits tax		
– Provision for current year	2,036	2,668
– Over provision in respect of prior years	(13)	–
	2,023	2,668
Deferred tax		
– Origination and reversal of temporary differences	(144)	–
	1,879	2,668
Total income tax expense	1,879	2,668

10. DIVIDENDS

No dividend was proposed or paid during the years ended 31 December 2016 and 2015, nor has any dividend been proposed since the end of the reporting period.

11. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$16,911,000 (2015: loss of approximately HK\$34,385,000) and the weighted average number of 3,511,160,917 (2015: 3,480,484,748) ordinary shares in issue during the year.

Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to owners of the Company of approximately HK\$19,534,000 (2015: loss of approximately HK\$34,385,000) and the weighted average number of 3,511,160,917 (2015: 3,480,484,748) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares for the year, calculated as follows:

(a) Loss attributable to owners of the Company

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
For the purpose of basic loss per share	(16,911)	(34,385)
After tax effect of effective interest on the liability component of convertible bonds	6,446	–
After tax effect of fair value changes on the derivative component of convertible bonds	–	–
Effect of earnings on conversion of convertible bonds issued by a subsidiary of the Company	(9,069)	–
	<hr/>	<hr/>
For the purpose of diluted loss per share	<u>(19,534)</u>	<u>(34,385)</u>

(b) *Weighted average number of ordinary shares*

	2016	2015
	Number of	Number of
	shares	shares
For the purpose of basic loss per share	3,511,160,917	3,480,484,748
Effect of share options	–	–
Effect of convertible bonds issued by the Company	–	–
Effect of contingent consideration shares	–	–
	<hr/>	<hr/>
For the purpose of diluted loss per share	<u>3,511,160,917</u>	<u>3,480,484,748</u>

On 16 June 2014, Sheng Yuan Financial Services Group Limited (“SYFS”), a wholly-owned subsidiary of the Company, issued convertible bonds with the principal amount of HK\$45,000,000. Subject to attainment of certain profit conditions, these convertible bonds are convertible into ordinary shares of SYFS at a conversion price of HK\$10,000, at the option of the holders of the convertible bonds, which created a potential dilutive effect to the basic loss per share. None of these convertible bonds are assumed to have been converted into ordinary shares of SYFS for the year ended 31 December 2015 as it would result in a decrease in diluted loss per share for that year.

On 19 November 2014 and 30 December 2014, the Company issued convertible bonds with aggregate principal amount of HK\$135,000,000. The computation of diluted loss per share does not assume the conversion of these convertible bonds as it would result in a decrease in diluted loss per share.

The Company has outstanding share options, which were granted on 25 August 2011, 24 July 2013, 19 June 2014 and 20 June 2014 with exercise price of HK\$0.280, HK\$0.183, HK\$0.250 and HK\$0.245 respectively. The computation of diluted loss per share does not assume an exercise of these share options since it would result in a decrease in diluted loss per share.

The computation of diluted loss per share for the year ended 31 December 2015 also did not assume the issue of the Company’s contingent consideration shares of 556,585,714 in aggregate as the relevant profit target had not been satisfied during the profit target period.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	26,244	286,592
Other receivables and prepayments	5,726	4,638
	<u>31,970</u>	<u>291,230</u>

Other receivables of the Group are neither past due nor impaired. The analysis of trade receivables is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Arising from the business of dealing in securities		
– Hong Kong Securities Company Limited (“HKSCC”)	–	31,041
– Cash clients	–	1,361
– Margin clients	1,635	2,704
Arising from asset management services	17,944	26,974
Arising from financial advisory and consultancy services	165	488
Arising from proprietary trading	662	–
Arising from underwriting and placing services	5,838	–
Arising from trading business	–	224,024
	<u>26,244</u>	<u>286,592</u>

The normal settlement terms of trade receivables arising from the business of dealing in securities are two business days after the respective trade dates. The amounts due from cash and margin clients are repayable on demand subsequent to the settlement date and bear interest at Hong Kong Dollar Prime Rate plus a spread of 3% to 8% (2015: 3% to 8%) per annum.

The Group does not provide any credit term to clients for its financial advisory and consultancy services as well as asset management services. Settlement of amounts arising from underwriting and placing services is in accordance with the terms set out in the respective agreements, usually within one year after the service obligation has been fulfilled. Amount arising from proprietary trading represents deposits placed with a securities broker which is repayable on demand. The general credit periods granted to customers of trading business were 365 days.

The amounts due from margin clients are neither past due nor impaired except for an amount of HK\$703,000 which were past due for 181 – 365 days on 31 December 2015 following a trading suspension of the pledged securities. Based on past experience, management believed that no impairment allowance was necessary due to their track record with the Group and the balances were fully recoverable. The ageing analysis of trade receivables in respect of other balances, based on due date, is as follows:

	2016	2015
	HK\$'000	HK\$'000
Not yet past due	–	224,024
0 – 30 days	10,862	36,496
31 – 60 days	1,936	2,843
61 – 90 days	1,985	2,961
91 – 180 days	5,698	9,173
181 – 365 days	3,146	8,391
Over 365 days	982	–
	<hr/>	<hr/>
	24,609	283,888
	<hr/> <hr/>	<hr/> <hr/>

The amounts due from margin clients that are neither past due nor impaired at the reporting date of HK\$1,635,000 (2015: HK\$2,001,000) are secured by pledged marketable securities with fair value of HK\$11,387,000 (2015: HK\$17,177,000). The fair value of pledged marketable securities of each individual margin client is higher than the corresponding outstanding balance. The Group is permitted to sell or re-pledge these collaterals if that client defaults in payments.

The amount arising from trading business represented bills receivables held by and factored to the banks with recourse for cash proceeds. These bills receivables were neither past due nor impaired at the reporting date. In the event of default by the debtors, the Group was obliged to pay the banks the amount in default. As the Group retained substantially all the risks and rewards of ownerships of these receivables, the Group recognised the whole carrying amounts of the receivables and the cash received on transfer as collateralised borrowings until the receivables were collected or the Group settled any losses suffered by the banks. At 31 December 2015, the carrying amount of these receivables and the associated borrowings were HK\$224,024,000 and HK\$222,314,000, respectively. The difference between the carrying amount of receivables and the associated borrowings was HK\$1,710,000. The directors of the Company considered that the fair value of these receivables and the associated borrowings were not materially differing from their carrying amount.

The amounts due from HKSCC, cash clients, brokers and clients for its asset management as well as financial advisory and consultancy services has not been provided for impairment loss as there has not been a significant change in their credit quality.

13. HELD FOR TRADING INVESTMENTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Listed equity securities	135,110	17,173
Unlisted investments funds (<i>note</i>)	97,047	167,131
	<u>232,157</u>	<u>184,304</u>

Note:

Pursuant to the subscription agreements, the Group's interests in the above investment funds are in the form of redeemable shares, which are puttable at the holder's option and entitle the Group to a proportionate stake in the respective funds' net assets. These investment funds are managed by the respective investment managers who are empowered to manage their daily operations and apply various investment strategies to accomplish their respective investment objectives.

The Group served as an investment manager for certain of these investment funds and generated management fee income (note 4) from managing assets on behalf of investors but is terminable by independent board of directors without a cause. The Group therefore does not consolidate the above investment funds in which it holds an interest. During the year, the above investment funds which the Group served as investment manager were terminated. The Group did not act as investment manager of the above investment funds at 31 December 2016.

At 31 December 2015, total net asset value of the investment funds which the Group was the investment manager amounted to HK\$308,063,000. The Group's maximum exposure to loss from its interests in these investment funds at 31 December 2015 was limited to the carrying amount of HK\$88,342,000 included above. Change in fair value of these investment funds was included in the consolidated statement of profit or loss and other comprehensive income in "Changes in fair value of financial instruments classified as held for trading" within "Other gains and losses" (note 5).

14. TRADE AND OTHER PAYABLES AND ACCRUALS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables arising from the business of dealing in securities		
– HKSCC	34,356	–
– Cash clients	302,031	52,446
– Margin clients	672	12,358
	<hr/>	<hr/>
	337,059	64,804
Payable of net assets attributable to other holders of redeemable shares of a consolidated investment fund	–	14,811
Third party interests in collective investment schemes	60,044	–
Other payables and accruals	22,446	37,415
	<hr/>	<hr/>
	419,549	117,030
	<hr/> <hr/>	<hr/> <hr/>

The normal settlement terms of trade payables arising from the business of dealing in securities are two business days after the respective trade dates. The amounts payable to cash and margin clients are repayable on demand. No ageing analysis in respect of trade payables is disclosed as, in the opinion of the directors, the ageing analysis does not give additional value in view of the business nature.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2016 (2015: Nil).

BUSINESS AND FINANCIAL REVIEW

For the year ended 31 December 2016, the revenue of the Group amounted to approximately HK\$69.5 million, representing 82.9% decrease as compared with approximately HK\$405.7 million for the year ended 31 December 2015. The drop is largely attributable to the suspension of trading business in 2016. Loss for the year ended 31 December 2016 was approximately HK\$16.9 million, as compared with loss of approximately HK\$34.4 million for the year ended 31 December 2015. Such decrease in net loss is primarily attributable to the reduction of staff costs and other expenses during the year ended 31 December 2016.

During the year ended 31 December 2016, investor sentiment in Hong Kong remained cautious due to the fact that the growth of global economy slowed down and the financial market experienced a significant volatility under the effect of looming unexpected accidents, such as Brexit and the election of Trump as the US president. In the second half of 2016, the rebound in Hong Kong stock market sustained driven by the intention to maintain loose monetary policies in US and the official launch of Shenzhen-Hong Kong Stock Connect.

During the year ended 31 December 2016, the total revenue of Sheng Yuan Financial Services Group Limited and its subsidiaries (the “SYFS Group”) decreased by nearly 59.5% to approximately HK\$69.5 million (2015: approximately HK\$171.5 million).

For securities business, the revenue from securities brokerage and financial services during the year ended 31 December 2016 decreased to approximately HK\$22.4 million (2015: approximately HK\$130.6 million). Such decrease in revenue was mainly due to the inactive trading in Hong Kong stocks and placing market in light of the economic uncertainties in Hong Kong.

For asset management business, Sheng Yuan Asset Management Limited (“SYAM”) acts as the fund manager or investment adviser for 13 funds and 13 discretionary accounts. The total assets under management of SYAM have substantially increased by nearly 134.2% to more than HK\$8.9 billion (2015: approximately HK\$3.8 billion) as of 31 December 2016. During the year ended 31 December 2016, SYAM recorded segment revenue of approximately HK\$47.6 million (2015: approximately HK\$40.9 million), representing a significant increase of nearly 16.4%.

For corporate financing business, Sheng Yuan Capital (Hong Kong) Limited (“SYC”) commenced to carry out business during the reporting period. By stepping up its efforts to explore potential opportunities, SYC had completed the recognition of the income generated from three orders of financial advisory business from external customers during the reporting period. During the year ended 31 December 2016, SYC recorded an income of approximately HK\$1.5 million (2015: HK\$0).

In order to provide an additional source of income for its financial business, the SYFS Group expanded the proprietary trading business during the year ended 31 December 2016 and mainly invested in listed shares in Hong Kong market and private funds. In light of the sluggish Hong Kong stock market, the segment profit from proprietary trading business for the year ended 31 December 2016 was approximately HK\$25.7 million (2015: segment profit of HK\$4.3 million).

As the commodity market remains sluggish, the Group has continued to suspend its trading business for the year of 2016. The segment loss for trading business for the year ended 31 December 2016 was approximately HK\$3.3 million (2015: segment loss of HK\$5.9 million).

On 9 April 2014, Sheng Yuan Financial Services Group Limited (“SYFS”), a direct wholly-owned subsidiary of the Company, entered into a subscription agreement (the “Subscription Agreement”) with the several subscribers, pursuant to which the subscribers conditionally agreed to subscribe for and SYFS conditionally agreed to issue the convertible notes at an aggregate consideration of HK\$45 million (the “Convertible Notes”). Details of the Subscription Agreement and the Convertible Notes can be found in the announcement and circular of the Company dated 9 April 2014 and 16 May 2014 respectively.

Upon completion of the Subscription Agreement, two subscribers, namely WisePublic Holdings Limited and Li Gang (the “Guarantors”) (who hold Convertible Notes with an aggregate amount of HK\$25 million) executed and delivered to SYFS and the Company the deed of profit guarantee, pursuant to which, the Guarantors guaranteed that the audited consolidated profits, or where applicable, the accumulated audited consolidated profits after taxation of the SYFS group for each of (i) the financial year ending 31 December 2014, (ii) the two financial years ending 31 December 2015 and (iii) the three financial years ending 31 December 2016 shall be not less than zero, HK\$20,000,000 and HK\$50,000,000, respectively.

The accumulated audited consolidated profits after taxation of the SYFS group for each of (i) the financial year ending 31 December 2014, (ii) the two financial years ending 31 December 2015 and (iii) the three financial years ending 31 December 2016 were HK\$19.9 million, HK\$30.0 million and HK\$50.1 million, respectively. Therefore, the guaranteed profits were achieved accordingly.

In order to focus on private equity and venture capital investment as well as conducting foreign investment activities and planning to expand its business into Mainland China through Closer Economic Partnership Arrangement (CEPA) in the future, the Group has acquired a licensed corporation carrying on the businesses of advising on securities and asset management in Hong Kong in August 2016.

During the year ended 31 December 2016, the Group's investment in Xinhua (Daqing) Merchandise Exchange Company Limited (新華(大慶)商品交易所有限公司, "XHME"), a merchandise exchange company established in Heilongjiang Province, the PRC, has recorded a significant increase in both revenue and net profit. The Company's share of profit of XHME amounted to HK\$3.0 million for the year ended 31 December 2016. In December 2016, the board of directors of XHME had met and resolved to restructure its business lines for local compliance purpose which involved suspension of a material line of business. In view of this, the directors of the Company had performed an impairment assessment of the Group's interest in XHME based on a valuation with the assistance of an independent valuer. The valuation of the Group's interest in associate is determined based on an underlying projection of cash flows provided by XHME. Based on the impairment assessment, the recoverable amount of the Group's interests in XHME is estimated to be higher than the carrying amount and no impairment is considered necessary as at 31 December 2016.

PROSPECTS

In 2017, apart from its traditional brokerage business, Sheng Yuan Securities Limited will further develop their intermediary businesses such as underwriting of IPO, placement of private notes, bonds and funds, as well as shares to deliver steady profit growth. SYAM will continue to step up its efforts in funds management and discretionary accounts management services to expand its customer base, at the same time keeping abreast of the market trends. For proprietary trading, the Group plans to increase its investment in fixed income products, seeking opportunities arising from the fluctuation of secondary market.

Though facing with the sluggish economy amid market downturn, the Group will keep on weathering through with great courage. Looking forward, the complexity and fluctuation of the market is likely to sustain. However, Hong Kong is increasingly important for its role as an access to overseas markets, with the gradual opening up of the capital market in Mainland China and the progressively strengthened interactions among cross-border investors. Looking ahead, the SYFS Group will be cautiously optimistic about the steady growth of businesses by virtue of its pioneering work style as well as steady and stable business model.

To facilitate the diversification and expansion of business development in PRC, the Group will continue to search opportunities in Mainland China including but not limited to the setting up joint ventures investments through CEPA, QFII (“Qualified Foreign Institutional Investor”) or QDII (“Qualified Domestic Institutional Investor”) frameworks by allowing the Group to access the huge and fast-growing financial markets and enabling the Group to engage in a full spectrum of securities and financial business in PRC. It is believed that the formation of such investments would offer a good opportunity for the Group to embark on a new milestone in its business development in financial services industry. On 8 August 2016, the Company entered into a memorandum of understanding (the “MOU”) with 3 corporate investors in the PRC (the “CoPromoters”). Under the MOU, the Company and the Co-Promoters intended to form a joint venture securities company in Fujian, which would be principally engaged in securities related business with full licences to be approved by the China Securities Regulatory Commission, the PRC. Due to the uncertainty of rules and regulations, the Group is also exploring the business opportunities in other regions in Mainland China.

To capture the opportunities in increasing demand for foreign investment from Mainland China enterprises, the Group is planning to establish overseas platforms for investment to facilitate the global expansion of Mainland China enterprises. Countries of the Asian Pacific Region will be the targets of the Group to set up such platforms. The Group believes that it will further diversify its businesses and broaden its revenue sources.

The Group will continue to explore new business opportunities, with the support of its strong team, in order to provide healthy returns for its stakeholders in the future.

ACQUISITION AND DISPOSAL

The Group has acquired a licenced corporation to carry on the businesses of advising on securities and asset management in Hong Kong in August 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, cash and bank balances in general accounts maintained by the Group were approximately HK\$126.5 million, representing an increase of approximately 109.1% from approximately HK\$60.5 million as at 31 December 2015. Balances in trust and segregated accounts were approximately HK\$301.1 million (2015: HK\$51.4 million). Trade and other receivables and prepayments were approximately HK\$32.0 million as at 31 December 2016 (2015: HK\$291.2 million), which mainly represented decreased receivables from trading business and decreased trade volume arising from business of securities brokerage. Trade and other payables and accruals were approximately HK\$419.5 million as at 31 December 2016 (2015: HK\$117.0 million), which was due to an increase in trade payable from securities brokerage.

The Group's current assets and current liabilities as at 31 December 2016 were approximately HK\$693.1 million (2015: HK\$587.5 million) and approximately HK\$611.8 million (2015: HK\$344.4 million) respectively. The borrowings as at 31 December 2016 amounted to HK\$26.4 million (2015: HK\$222.3 million). The gearing of the Group, measured as total debts to total assets, remained healthy at approximately 24.7% as at 31 December 2016 (2015: 55.2%). As at 31 December 2016, the Group recorded net assets of approximately HK\$166.4 million (2015: HK\$178.3 million), which was mainly due to the loss recorded during the year ended 31 December 2016. During the year ended 31 December 2016, the Group financed its operations with internally generated cash flow and funds from convertible bonds issued.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's transactions are mainly denominated in Hong Kong dollars, United States dollars ("USD"), and Renminbi ("RMB"). The Group has not implemented any foreign currencies hedging policies. However, the Group's management will closely monitor exchange rate movement and will take appropriate actions to reduce the risks.

CAPITAL STRUCTURE

During the year ended 31 December 2016, 56,000,000 shares of the Company were issued upon exercise of share options.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2016, Group did not have any pledged assets.

HUMAN RESOURCES

As at 31 December 2016, the Group employed approximately 56 employees. The remuneration policy and package of the Group's employees are maintained at market level and are reviewed annually by management. In addition to basic salary, discretionary bonuses, mandatory pension fund and medical insurance scheme, share options may also be granted to eligible employees at the discretion of the Board and are subject to the performance of the individual employees as well as the Group.

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

During the year ended 31 December 2016, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process, financial control, risk management and internal controls systems. The consolidated results of the Group for the year ended 31 December 2016 have been reviewed by the Audit Committee. The Audit Committee comprises three members namely Mr. Lo Ka Wai (Chairman), Dr. Huan Guocang and Mr. Wu Fred Fong. All of them are independent non-executive Directors.

REMUNERATION COMMITTEE

The Remuneration Committee has been set up with written term of reference in accordance with the requirements of the Listing Rules. The Remuneration Committee comprises three independent non-executive Directors namely, Mr. Wu Fred Fong (Chairman), Dr. Huan Guocang and Mr. Lo Ka Wai.

NOMINATION COMMITTEE

The Nomination Committee has been set up with written term of reference in accordance with the requirements of the Listing Rules. The Nomination Committee comprises three independent non-executive Directors namely, Dr. Huan Guocang (Chairman), Mr. Lo Ka Wai and Mr. Wu Fred Fong.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standard of corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with the code on corporate governance practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2016 except the following deviations:

The Code provision A.2.1 stipulates that the role of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. Although the Company does not have a Chairman, all major decisions are made in consultation with the Board members and the senior management of the Company. There are three independent non-executive Directors in the Board. The Board considers that there is sufficient balance of power and the current arrangement maintains a strong management position of the Company.

Under the Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Dr. Huan Guocang and Mr. Lo Ka Wai, both as are independent non-executive Directors, were unable to attend the annual general meeting and the special general meeting of the Company both held on 27 May 2016 as he had other business commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) of the Listing Rules as a code of conduct of the Company for directors’ securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company’s code of conduct regarding directors’ securities transactions throughout the year ended 31 December 2016.

SCOPE OF WORK PERFORMED BY AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Company’s auditor, BDO Limited (“BDO”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO on the preliminary results announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “AGM”) will be held on Friday, 26 May 2017 in Hong Kong. The Notice of AGM will be published and despatched to the shareholders in due course.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Tuesday, 23 May 2017 to Friday, 26 May 2017, both days inclusive, during which period no transfer of ordinary shares will be registered. In order to determine the identity of ordinary shareholder(s) who is entitled to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 22 May 2017.

DETAILS OF THE INDEPENDENT AUDITOR'S REPORT

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

Included in the consolidated statement of financial position is interest in an unlisted associate, Xinhua (Daqing) Merchandise Exchange Company Limited ("XHME"), of approximately HK\$72,334,000 as at 31 December 2016, comprise the Group's share of net assets in XHME of HK\$33,653,000 and goodwill arising on acquisition of HK\$38,681,000. Included in the consolidated statement of profit or loss and other comprehensive income is the Group's share of profit of XHME for the year ended 31 December 2016 of approximately HK\$3,078,000 and exchange loss on translating the financial statements of XHME for the year ended 31 December 2016 of approximately HK\$4,689,000.

In accordance with Hong Kong Standard on Auditing 600 ("HKSA 600"), Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors), XHME is considered to be a significant component of the Group, which should therefore be subject to audit as part of our audit of the Group's financial statements. We have issued audit instructions to the component auditor and involved in the audit of the component auditor as required by HKSA 600. However, up to the date of this report, the audit by the component auditor

has not yet been completed and accordingly we were unable to satisfy ourselves as to whether the Group's share of XHME's profit and other comprehensive income for the year ended 31 December 2016 and the Group's share of net assets in XHME as included in the Group's consolidated statement of financial position as at 31 December 2016 were fairly stated and whether the information of XHME as shown in note 18 to the consolidated financial statements was properly disclosed.

In addition, as disclosed in note 18 to the consolidated financial statements, the Group had performed an impairment assessment of its interest in associate based on a valuation with the assistance of an independent valuer. The determination of such valuation was based on an underlying cash flow projections as provided by XHME. Based on the impairment assessment, the directors are of the opinion that no impairment is necessary.

During the course of our audit, we carried out audit procedures which we considered necessary on the impairment assessment as carried out by the Group; however, our work was limited because we had not been able to obtain sufficient satisfactory audit evidence as to the reasonableness of the underlying assumptions used for the preparation of the cash flow projections of XHME; as the Group had not obtained the information that we considered necessary from the local management of XHME.

Due to the circumstances as described above, there were no other satisfactory audit procedures that we could adopt to obtain sufficient audit evidence to satisfy ourselves as to the valuation of the interests in XHME as at 31 December 2016 and we were unable to determine whether any impairment losses were necessary.

Note: Details of "note 18 to the consolidated financial statements" is included in the annual report for the year ended 31 December 2016.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.shengyuan.hk) and the Stock Exchange (www.hkexnews.hk). The annual report for the year ended 31 December 2016 of the Company containing all information required by the Listing Rules will be dispatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board
Sheng Yuan Holdings Limited
Wu Siu Lam, William
Executive Director and Chief Executive Officer

Hong Kong, 17 March 2017

As at the date of this announcement, the Board consists of Mr. Wu Siu Lam, William and Ms. Cheng Kit Sum, Clara (all being executive Directors), Dr. Huan Guocang, Mr. Lo Ka Wai and Mr. Wu Fred Fong (all being independent non-executive Directors).