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 2017

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 2017 together with the comparative figures for the corresponding year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*4*	**63,247**	69,475
Other gains and losses	*5*	**(28,625)**	24,342
Other income	*6*	**63**	2,522
Staff costs		**(56,148)**	(47,286)
Depreciation		**(418)**	(538)
Finance costs	*7*	**(27,508)**	(30,319)
Provision for settlement of convertible bonds		**(33,708)**	–
Other expenses		**(26,358)**	(36,302)
Share of results of an associate		**(31,937)**	3,078
Impairment loss on interests in an associate	*12*	**(40,791)**	–

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Loss before income tax	*8*	**(182,183)**	(15,028)
Income tax expense	*9*	**(2,341)**	(1,879)
Loss for the year		**(184,524)**	(16,907)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
– Exchange differences on translation of financial statements of foreign operations		**2,488**	(5,162)
Other comprehensive income for the year		**2,488**	(5,162)
Total comprehensive income for the year		**(182,036)**	(22,069)
Loss for the year attributable to:			
– Owners of the Company		**(184,507)**	(16,911)
– Non-controlling interests		**(17)**	4
		(184,524)	(16,907)
Total comprehensive income for the year attributable to:			
– Owners of the Company		**(182,019)**	(22,073)
– Non-controlling interests		**(17)**	4
		(182,036)	(22,069)
		HK cents	*HK cent*
Loss per share	*11*		
– Basic		**(5.19)**	(0.48)
– Diluted		**(5.19)**	(0.56)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**527**	575
Trading rights		**3,322**	3,322
Goodwill		**7,000**	7,000
Interests in an associate	*12*	**1,863**	72,334
Other assets		**1,730**	1,730
Deferred tax asset		**144**	144
		14,586	85,105
Current assets			
Trade and other receivables and prepayments	*13*	**69,481**	31,970
Held for trading investments	*14*	**39,616**	232,157
Current tax assets		–	1,413
Trust bank balances held on behalf of clients		**221,581**	301,145
Cash and cash equivalents		**87,556**	126,461
		418,234	693,146
Current liabilities			
Trade and other payables and accruals	*15*	**242,453**	419,549
Borrowings		–	26,427
Convertible bonds		**143,517**	165,802
Provision for settlement of convertible bonds		**33,708**	–
Current tax liabilities		**606**	34
		420,284	611,812
Net current (liabilities)/assets		**(2,050)**	81,334
Net assets		**12,536**	166,439

	Notes	**2017**	2016
		HK$'000	*HK$'000*
EQUITY			
Share capital		**178,128**	177,128
Reserves		**(183,381)**	(28,495)
(Capital deficiency)/Equity attributable to owners of the Company		**(5,253)**	148,633
Non-controlling interests		**17,789**	17,806
Total equity		**12,536**	166,439

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 2017 were approved for issue by the board of directors on 21 March 2018.

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 2017

In the current year, the Group has applied amendments to standards and interpretations which are effective for the Group's financial statements for the annual period beginning on 1 January 2017. 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"). Except as explained below, the adoption of new or amended HKFRSs has no material impact on the Group's financial statements.

Amendments to HKAS 7, Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's liabilities arising from financing activities consist of third party interests in collective investment schemes within trade and other payables and accruals, borrowings and convertible bonds. Reconciliations between the opening and closing balances of these items are provided in respective notes. According to the transition provisions of the amendments, the Group is not required to disclose comparative information for the prior period. Apart from the additional disclosures, the application of these amendments has had no impact on the Group's consolidated 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 2017. 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.

HKFRS 9, Financial Instruments

HKFRS 9 introduced new requirements for the classification and measurement of financial assets. Under HKFRS 9, 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are generally measured at their fair value through profit or loss at the end of the subsequent accounting periods. 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.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of changes in the fair value of financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes 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 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, 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 risk management activities have also been introduced.

HKFRS 9 is effective for accounting period beginning on or after 1 January 2018. Based on the Group’s financial assets and financial liabilities as at 31 December 2017 and the facts and circumstances that exist at that date, the directors of the Company have assessed that the new classification and measurement requirement would not have a material impact on its financial assets and financial liabilities. In respect of financial assets measured at amortised cost which are subject to impairment provisions of HKFRS 9, the Group expects to apply the simplified approach to recognise lifetime expected credit losses as required or permitted and anticipates that the application of the expected credit loss model may result in earlier recognition of credit losses for these assets. The Group also does not anticipate the application of the hedge accounting requirements will have a material impact on the Group’s consolidated financial statements.

Changes in accounting policies resulting from the adoption of HKFRS 9 will generally be applied retrospectively and the Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from adoption of HKFRS 9 is generally recognised in accumulated losses and reserves as at 1 January 2018. Extensive new disclosures, in particular about credit risk and expected credit losses, required under HKFRS 9 will be made in the financial statements.

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 clarifications to HKFRS 15, clarifying the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

HKFRS 15, including the amendments, is effective for accounting period beginning on or after 1 January 2018. The Group plans to adopt HKFRS 15 in its consolidated financial statements using the retrospective approach and plans to use the practical expedients for completed contracts. Apart from providing more extensive disclosures on the Group's revenue transactions, the directors do not anticipate that the application of HKFRS 15 will have a significant impact on the financial position and/or financial performance of the Group.

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.

2017	Securities brokerage and financial services *HK$'000*	Asset management services *HK$'000*	Proprietary trading *HK$'000*	Trading business *HK$'000*	Total *HK$'000*
Revenue					
From external customers	**17,810**	**45,437**	**–**	**–**	**63,247**
From other segments	**–**	**247**	**–**	**–**	**247**
Reportable segment revenue	**17,810**	**45,684**	**–**	**–**	**63,494**
Reportable segment result	**1,893**	**8,155**	**(30,848)**	**(2,325)**	**(23,125)**
Impairment losses on trade receivables	**–**	**637**	**–**	**–**	**637**
Interest income from margin financing and money lending service	**2,827**	**–**	**–**	**–**	**2,827**
Decrease in third party interests in collective investment schemes	**–**	**–**	**5,325**	**–**	**5,325**
Depreciation	**127**	**74**	**15**	**51**	**267**
Fair value loss on held for trading investments	**–**	**–**	**33,394**	**–**	**33,394**
Finance costs	**2**	**–**	**–**	**–**	**2**
Reportable segment assets	**264,652**	**35,732**	**39,967**	**59**	**340,410**
Expenditures for additions to non-current segment assets*	**119**	**18**	**2**	**–**	**139**
Reportable segment liabilities	**239,002**	**1,838**	**313**	**53**	**241,206**

2016	Securities brokerage and financial services *HK$'000*	Asset management services *HK$'000*	Proprietary trading *HK$'000*	Trading business *HK$'000*	Total *HK$'000*
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	–	–	28,082	–	28,082
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

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); equity-settled share-based payments, directors' emoluments; interest expenses on convertible bonds and loans from a substantial shareholder; share of results of an associate 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 do not include interests in an associate; current tax assets; deferred tax assets 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 do not include loans from a substantial 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:

	2017	2016
	HK$'000	*HK$'000*
Reportable segment revenue	**63,494**	72,038
Elimination of inter-segment revenue	**(247)**	(2,563)
Group's revenue	**63,247**	69,475
Reportable segment result	**(23,125)**	31,917
Changes in fair value of derivative financial instruments	**–**	(3,667)
Other income	**63**	22
Equity-settled share-based payment expense	**(9,520)**	–
Finance costs	**(27,506)**	(28,612)
Provision for settlement of convertible bonds	**(33,708)**	–
Share of results of an associate	**(31,937)**	3,078
Impairment loss on interests in an associate	**(40,791)**	–
Corporate expenses**	**(15,659)**	(17,766)
Group's loss before income tax	**(182,183)**	(15,028)
Reportable segment assets	**340,410**	575,037
Interests in an associate	**1,863**	72,334
Deferred tax assets	**144**	144
Current tax assets	**–**	1,413
Cash and cash equivalents	**87,556**	126,461
Corporate assets	**2,847**	2,862
Group's assets	**432,820**	778,251
Reportable segment liabilities	**241,206**	429,483
Loans from a substantial shareholder	**–**	15,387
Convertible bonds	**143,517**	165,802
Provision for settlement of convertible bonds	**33,708**	–
Current tax liabilities	**606**	34
Corporate liabilities	**1,247**	1,106
Group's liabilities	**420,284**	611,812

** 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	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other material items						
Depreciation	**267**	325	**151**	213	**418**	538
Finance costs	**2**	1,707	**27,506**	28,612	**27,508**	30,319
Expenditures for additions to non-current assets*	**139**	7,062	**243**	19	**382**	7,081

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*	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (domicile)#	**62,296**	66,477	**10,831**	10,785
Mainland China	**951**	2,998	**1,881**	72,446
	63,247	69,475	**12,712**	83,231

* Non-current assets exclude 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:

	2017	2016
	HK$'000	*HK$'000*
Customer A *(note i)*	**17,813**	N/A
Customer B *(note ii)*	**7,031**	N/A
Customer C *(note i)*	**N/A**	15,782

Notes:

i. Revenue from these customers is attributable to asset management segment

ii. Revenue from this customer is attributable to securities brokerage and financial services segment

4. REVENUE

	2017	2016
	HK$'000	*HK$'000*
Commission and brokerage income from securities dealing and handling fee income	**3,888**	2,727
Financial advisory and consultancy fee income	**18**	1,686
Fund and portfolio management and investment advisory fee income	**42,948**	47,075
Fund and portfolio performance and incentive fee income	**2,459**	4
Interest income from margin financing and money lending service	**2,827**	98
Underwriting and placing commission income	**11,107**	17,885
	63,247	69,475

5. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Changes in fair value of financial instruments classified as held for trading	**(33,394)**	24,415
Changes in net assets attributable to other holders of redeemable shares of a consolidated investment fund	**–**	1,390
Changes in third party interests in collective investment schemes	**5,325**	(1,019)
Impairment losses on trade receivables	**(637)**	(221)
Net foreign exchange gain/(losses)	**78**	(250)
Net losses on disposals of property, plant and equipment	**(2)**	–
Others	**5**	27
	(28,625)	24,342

6. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Dividend income	**–**	2,500
Interest income from banks and others	**27**	22
Sundry income	**36**	–
	63	2,522

7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Effective interest on liability component of convertible bonds	**27,228**	28,140
Interest on bank and other borrowings	**4**	1,707
Interest on loans from a substantial shareholder	**276**	472
	27,508	30,319

8. LOSS BEFORE INCOME TAX

	2017	2016
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging:		
Staff costs, including directors' emoluments		
– Fees, salaries, allowances and bonuses	**45,806**	45,745
– Equity-settled share-based payments	**9,520**	–
– Retirement benefit scheme contributions*	**822**	1,541
	56,148	47,286
Other expenses		
– Auditor's remuneration	**1,400**	1,400
– Commission expense	**1,350**	10,816
– Entertainment and gifts	**1,354**	1,361
– Minimum lease payments under operating leases in respect of land and buildings	**9,419**	8,920
– Other professional fees	**2,939**	2,751
– System license and subscriptions	**2,269**	2,651
– Others	**7,627**	8,403
	26,358	36,302

* The amount included forfeited contributions of HK$525,000 (2016: Nil) in respect of employees who left 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 2017 and 2016, 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 2017 and 2016, 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.

	2017	2016
	HK$'000	*HK$'000*
Current tax – Hong Kong profits tax		
– Provision for current year	**2,511**	2,036
– Over provision in respect of prior years	**(170)**	(13)
	2,341	2,023
Deferred tax		
– Origination and reversal of temporary differences	**–**	(144)
Total income tax expense	**2,341**	1,879

10. DIVIDENDS

No dividend was proposed or paid during the years ended 31 December 2017 and 2016, 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$184,507,000 (2016: loss of approximately HK$16,911,000) and the weighted average number of 3,553,329,679 (2016: 3,511,160,917) 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$184,507,000 (2016: loss of approximately HK$19,534,000) and the weighted average number of 3,553,329,679 (2016: 3,511,160,917) 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***

	2017	2016
	HK$'000	*HK$'000*
For the purpose of basic loss per share	**(184,507)**	(16,911)
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)
For the purpose of diluted loss per share	**(184,507)**	(19,534)

(b) ***Weighted average number of ordinary shares***

	2017	2016
	Number of shares	Number of shares
For the purpose of basic loss per share	**3,553,329,679**	3,511,160,917
Effect of share options	**–**	–
Effect of convertible bonds issued by the Company	**–**	–
For the purpose of diluted loss per share	**3,553,329,679**	3,511,160,917

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 2017 as it would result in a decrease in diluted loss per share for the year.

On 19 November 2014, 30 December 2014 and 23 November 2017, the Company issued convertible bonds with aggregate principal amount of HK$100,000,000, HK$35,000,000 and HK$110,000,000, respectively. The computation of diluted loss per share for each of the years ended 31 December 2017 and 2016 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, 19 June 2014, 20 June 2014 and 7 September 2017 with exercise price of HK$0.280, HK$0.250, HK$0.245 and HK$0.240 respectively. The computation of diluted loss per share for each of the years ended 31 December 2017 and 2016 also does not assume an exercise of these share options since it would result in a decrease in diluted loss per share.

12. INTERESTS IN AN ASSOCIATE

	2017	2016
	HK$'000	*HK$'000*
Share of net assets	**2,800**	33,653
Goodwill	**39,854**	38,681
	42,654	72,334
Provision for impairment	**(40,791)**	–
	1,863	72,334

Particulars of the associate at 31 December 2017 are as follows:

Name	**Country of incorporation**	**Particulars of paid-up capital**	**Percentage of interest held by the Group**	**Principal activities and place of operation**
Xinhua (Daqing) Merchandise Exchange Company Limited ("XHME")	PRC	RMB85,714,286	25*	Operation of an electronic merchandise exchange platform for commodity goods trading in the PRC

* rounded to the nearest one percent

In December 2016, the board of directors of XHME had resolved to restructure its business lines for local compliance purpose which involved the suspension of a material line of business. In view of this, for the year ended 31 December 2016, 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 interests in associate was 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 was estimated to be higher than the carrying amount and no impairment was considered necessary as at 31 December 2016.

For the year ended 31 December 2017, a material line of business operation of XHME was under suspension. The Group has therefore carried out an impairment assessment of its interest in XHME as of 31 December 2017 with assistance of an independent valuer using fair value less costs of disposal using the income approach. The key assumptions to which the fair value less costs of disposal being most sensitive in assessing the recoverable amount is as follows:

Discount for lack of marketability	14.80%
Discount for lack of control	22.24%

Based on the valuation, the recoverable amount of the Group's interests in XHME was determined to be approximately HK$1,863,000 and accordingly, an impairment loss of approximately HK$40,791,000 was recognised and included in the consolidated statement of profit or loss and other comprehensive income. The fair value on which the recoverable amount being based is categorised within Level 3 measurement.

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**64,260**	26,244
Other receivables and prepayments	**5,221**	5,726
	69,481	31,970

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

	2017	2016
	HK$'000	*HK$'000*
Arising from the business of dealing in securities		
– Hong Kong Securities Company Limited ("HKSCC")	**15,967**	–
– Margin clients	**1,309**	1,635
Arising from asset management services	**26,539**	17,944
Arising from financial advisory and consultancy services	**–**	165
Arising from money lending services	**20,444**	–
Arising from proprietary trading	**1**	662
Arising from underwriting and placing services	**–**	5,838
	64,260	26,244

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% (2016: 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 the money lending services represents a term loan which is repayable within one year from the end of reporting period and bears interest at a fixed rate of 10% per annum (2016: not applicable) and is secured by marketable securities with fair value of HK$39,000,000 as at 31 December 2017. Amount arising from proprietary trading represents deposits placed with a securities broker which is repayable on demand.

The amounts due from margin clients are neither past due nor impaired. 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:

	2017	2016
	HK$'000	*HK$'000*
Not yet past due	**20,444**	–
0 – 30 days	**19,464**	10,862
31 – 60 days	**2,803**	1,936
61 – 90 days	**2,917**	1,985
91 – 180 days	**8,256**	5,698
181 – 365 days	**6,638**	3,146
Over 365 days	**2,429**	982
	62,951	24,609

The amounts due from margin clients that are neither past due nor impaired at the reporting date of HK$1,309,000 (2016: HK$1,635,000) are secured by pledged marketable securities with fair value of HK$6,098,000 (2016: HK$11,387,000). 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 amounts due from HKSCC, 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.

14. HELD FOR TRADING INVESTMENTS

	2017	2016
	HK$'000	*HK$'000*
Listed equity securities	**37,841**	135,110
Unlisted investments funds *(note)*	**1,775**	97,047
	39,616	232,157

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 at any time, for an amount equal to the pro rata share of the fund's net assets and entitle the Group to a proportionate stake in the respective funds' net assets. These investment funds are managed by the respective unrelated 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 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. During the year ended 31 December 2016, the 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 2017 and 2016.

15. TRADE AND OTHER PAYABLES AND ACCRUALS

	2017	2016
	HK$'000	*HK$'000*
Trade payables arising from the business of dealing in securities		
– HKSCC	**–**	34,356
– Cash clients	**237,628**	302,031
– Margin clients	**460**	672
	238,088	337,059
Third party interests in collective investment schemes	**–**	60,044
Other payables and accruals	**4,365**	22,446
	242,453	419,549

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 2017 (2016: Nil).

BUSINESS AND FINANCIAL REVIEW

For the year ended 31 December 2017, the revenue of the Group amounted to approximately HK$63.2 million, representing 9.1% decrease as compared with approximately HK$69.5 million for the year ended 31 December 2016. Loss for the year ended 31 December 2017 was approximately HK$184.5 million, as compared with loss of approximately HK$16.9 million for the year ended 31 December 2016. Such increase in loss is primarily attributable to the impairment loss on interest in an associate, Xinhua (Daqing) Merchandise Exchange Company Limited ("XHME"), loss incurred by the proprietary trading segment and provision for settlement of convertible bonds.

The Group shared the associate's losses of approximately HK$31.9 million and recognized impairment loss of approximately HK$40.8 million on its interests in the associate. In December 2016, the board of directors of XHME had resolved to restructure its business lines for local compliance purpose which involved the suspension of a material line of business. During the year ended 31 December 2017 and up to the date of approval of the financial statements of the Company, the business operation of XHME was still under suspension and there was no information on the restoration of the operation of the business lines. The Group has carried out an impairment assessment of its interest in XHME as of 31 December 2017 with the assistance of an independent valuer. Based on the valuation, the recoverable amount of the Group's interests in XHME was determined to be approximately HK$1.9 million and accordingly, an impairment loss of approximately HK$40.8 million was recognized and included in the consolidated statement of profit or loss and other comprehensive income. The Directors believed that such non-cash impairment provision would be in the interest of the Company.

In 2017, the improved economy both in the US and the world brought about benefits and growth to companies. In line with the rising trend of the US and global stock markets, the Hong Kong stock market achieved successive highest records with Hang Seng Index (HSI) rising by over 36.0%. However, with the rising HSI in 2017, many investors turned to be cautious.

During the year ended 31 December 2017, the total revenue of Sheng Yuan Financial Services Group Limited and its subsidiaries (the "SYFS Group") decreased by nearly 13.0% to approximately HK$60.5 million (2016: approximately HK$69.5 million).

For securities business, the revenue from securities brokerage and financial services during the year ended 31 December 2017 decreased by 27.0% to approximately HK$17.8 million (2016: approximately HK$24.4 million); segment profit decreased by 36.7% to HK$1.9 million (2016: approximately HK$3.0 million). Such decrease in revenue was mainly due to the inactive trading in placing market in light of the less increase of the small and medium-sized stocks than blue chips.

For asset management business, Sheng Yuan Asset Management Limited ("SYAM") acts as the fund manager or investment adviser for 11 funds and 4 discretionary accounts. The total assets under management of SYAM have increased by nearly 16.9% to more than HK$10.4 billion (2016: approximately HK$8.9 billion) as of 31 December 2017. During the year ended 31 December 2017, SYAM recorded segment revenue of approximately HK$45.7 million (2016: approximately HK$47.6 million), representing a slightly decrease of 4.0%; it recorded segment profit of approximately HK$8.2 million (2016: approximately HK$6.5 million), representing an increase of 26.2%.

For proprietary trading business, the SYFS Group mainly invests in the listed shares and private funds in Hong Kong market. During the year ended 31 December 2017, the segment loss from proprietary trading business was approximately HK$30.8 million (2016: segment profit of HK$ 25.7 million). Such loss was mainly derived from the decreased value of some shares held caused by a slump in prices of penny stocks.

As the recovery of the commodity market remains slow, the Group has continued to suspend its trading business for the year ended 31 December 2017. The segment loss for trading business for the year ended 31 December 2017 was approximately HK$2.3 million (2016: segment loss of HK$3.3 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 several subscribers, pursuant to which the subscribers conditionally agreed to subscribe for and SYFS conditionally agreed to issue the convertible bonds at an aggregate consideration of HK$45 million (the "SYFS CBs"). Details of the Subscription Agreement and the SYFS CBs have been set out in the announcement and circular of the Company dated 9 April 2014 and 16 May 2014 respectively.

On 15 June 2017, the Company received conversion notices from Team Effort Investments Limited ("Team Effort") in respect of the exercise of the conversion rights attached to the SYFS CBs in the aggregate amount of HK$45,000,000 held by Team Effort at the conversion price of HK$10,000 per conversion share. Subsequent to the issue and allotment of 4,500 conversion shares upon full conversion of the SYFS CBs at the conversion price, a total of 4,500 conversion shares will be issued, representing 45% of the issued share capital of SYFS as enlarged by the issue and allotment of the conversion shares. The Company's equity interest in SYFS will be reduced to approximately 55% and SYFS will become a non-wholly owned subsidiary of the Company.

As no new SYFS Share has been issued by SYFS to Team Effort in accordance with the terms and conditions of SYFS CBs and none of the SYFS CBs has been redeemed by SYFS, on 29 December 2017, the Company, SYFS and Team Effort entered into a deed of settlement, pursuant to which the Company will issue convertible bonds of a principal amount of HK$90,000,000 (the "Convertible Bonds") to Team Effort for the settlement and release of SYFS' obligations under the SYFS CBs.

The Convertible Bonds will bear the rate of interest of 8% per annum and will be due on the second anniversary of the initial issue date. Assuming the exercise in full of the conversion right at the initial conversion price of HK$0.35 per share and the aggregate principal amount of HK$90,000,000 of the Convertible Bonds is issued, a total of 257,142,857 conversion shares will be issued. Up to the reporting date, the issue of the Convertible Bonds was yet to be completed.

PROSPECTS

The SYFS Group will establish a more complete service platform of financial management. Apart from its traditional brokerage business, Sheng Yuan Securities Limited will further develop the 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. Sheng Yuan Capital (Hong Kong) Limited will expand its financial consultancy businesses including IPO financing arrangement, merger and acquisition.

We expect that the continuous complex and fluctuating global market, such as the tax reform and protective trade policy in the US and the incorporation of China A-shares into MSCI Emerging Markets Index and MSCI ACWI Global Index in 2018, will affect the capital allocation all over the world. However, Hong Kong, as an international hub, will play an important linking role in the development of China's "The Belt and Road" Initiative and Guangdong-Hong Kong-Macau Greater Bay Area. The newly appointed management of the SYFS Group will facilitate to get hold of development opportunities and expand businesses on conditions of enhancing financial risks prevention, prudential management and compliance, striving for break even and sound growth in 2018.

ACQUISITION AND DISPOSAL

There was no material acquisition or disposal during the year ended 31 December 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, cash and bank balances in general accounts maintained by the Group were approximately HK$87.6 million, representing a decrease of approximately 30.8% from approximately HK$126.5 million as at 31 December 2016. Balances in trust and segregated accounts were approximately HK$221.6 million (2016: HK$301.1 million). Trade and other receivables and prepayments were approximately HK$69.5 million as at 31 December 2017 (2016: HK$32.0 million), which mainly represented increased receivables from money lending business and increased trade volume arising from business of securities brokerage. Trade and other payables and accruals were approximately HK$242.5 million as at 31 December 2017 (2016: HK$419.5 million), which was due to decrease in other payable from asset management business and decrease in trade payable from securities brokerage.

The Group's current assets and current liabilities as at 31 December 2017 were approximately HK$418.2 million (2016: HK$693.1 million) and approximately HK$420.3 million (2016: HK$611.8 million) respectively. No borrowings as at 31 December 2017 (2016: HK$26.4 million). The gearing of the Group, measured as total debts to total assets, remained healthy at approximately 33.2% as at 31 December 2017 (2016: 24.7%). As at 31 December 2017, the Group recorded net assets of approximately HK$12.5 million (2016: HK$166.4 million), which was decrease mainly due to the loss recorded during the year ended 31 December 2017. During the year ended 31 December 2017, the Group financed its operations with internally generated cash flow and funds from convertible bonds issued.

CAPITAL RAISING AND USE OF PROCEEDS

Issue of Convertible Bonds

Pursuant to subscription agreements entered into by the Company on 17 November 2017, the Company issued convertible bonds with aggregate principal amount of HK$110,000,000 ("SYHL Bonds"), to two individual subscribers on 23 November 2017. The SYHL Bonds entitled the holders to convert them into ordinary shares of the Company at an initial conversion price of HK$0.35 per share of the Company at any time before the first anniversary date of the initial issue date. The SYHL Bonds bear interests at 8% per annum. The net proceeds of the SYHL Bonds issue, after deduction of expenses, were approximately HK$109.9 million. The net proceeds arising from the issuance of SYHL Bonds were applied to repay debts of the Company.

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 2017, 20,000,000 shares of the Company were issued upon exercise of share options.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2017, Group did not have any pledged assets.

HUMAN RESOURCES

As at 31 December 2017, the Group employed 49 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 2017, 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 and internal controls. The audited results for the year ended 31 December 2017 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 2017 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, Mr. Lo Ka Wai and Mr. Wu Fred Fong, all are independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 26 May 2017 as they 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 2017.

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 2017 as set out in the results 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 results announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on Friday, 25 May 2018 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 Monday, 21 May 2018 to Friday, 25 May 2018, 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 Friday, 18 May 2018.

DETAILS OF THE INDEPENDENT AUDITOR'S REPORT

Qualified Opinion

In our opinion, except for the possible effects of the matters 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 2017, 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

During the year ended 31 December 2017, the Group had recognised its share of the associate's loss for the year of HK$31,937,000 using equity accounting. The Group's share of the loss of the associate of HK$31,937,000 using equity accounting included effectively a share of the impairment loss of HK$5,114,000 in respect of the associate's investment in a company of RMB18,000,000. This investment was stated at cost less impairment in the financial statements of the associate.

In accordance with Hong Kong Standard on Auditing 600 ("HKSA 600"), Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors), the associate 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. However the auditor of the associate (referred to as "component auditor" under HKSA 600) was unable to obtain financial information of the associate's investee company because the management of the associate was unable to obtain the financial information from the investee company. The management of the Company was also unable to provide us with such information, including up to date financial information of that investee company. The investee company's financial information is necessary for the purpose of our audit work on the carrying amount of the investment and the amount of impairment loss on the investment, if any, in the associate's financial statements which would be included in the Group's consolidated financial statements under the equity method of accounting for the associate.

As the investee company was not a listed entity in the PRC, we were also not able to obtain the relevant financial or other information which we considered necessary and there were no alternative procedures which we could carry out to determine if the associate's investment was impaired and the impairment loss of RMB18,000,000 in the associate's financial information, of which HK$5,114,000 shared by the Group, was appropriately determined. As such, we were also unable to determine if the carrying amount of the Group's interest in the associate of HK$1,863,000 as included in the consolidated statement of financial position as of 31 December 2017 was fairly stated. The Group's share of the associate's loss for the year was also qualified due to the matter explained in the paragraph below.

Our audit opinion on the Group's financial statements as of 31 December 2016 was qualified due to certain limitations on our scope of work as set out in our report dated 17 March 2017 which included limitations arising from the fact that the audit of the associate's financial statements as of 31 December 2016 by the component auditor was not completed as of our audit report date and that there were insufficient audit evidence available to us relating to the impairment review of the Group's interest in associate as of 31 December 2016. The matters leading to our qualified audit opinion remained unresolved during the course of our audit of the Group's consolidated financial statements for the year ended 31 December 2017. Our opinion on the consolidated financial statements is qualified because of the possible effect of this matter on the comparability of the Group's interest in the associate as of 31 December 2017 of HK$1,863,000 and 31 December 2016 of HK$72,334,000. These matters as mentioned above may have consequential impact on the amount of the Group's impairment loss on interest in the associate of HK$40,791,000 and the Group's share of the associate's loss of HK$31,937,000 for the year ended 31 December 2017 and on their comparability with the Group's share of profit of associate and impairment loss on interests in an associate of HK$3,078,000 and Nil for the year ended 31 December 2016, respectively.

Material Uncertainty Related to Going Concern

We draw attention to note 3.1 in the consolidated financial statements, which indicates that the Group had loss after tax for the year of HK$185 million and net current liabilities as of 31 December 2017 amounted to approximately HK$2 million. As stated in note 3.1 to the consolidated financial statements, these conditions, along with other matters as set forth in note 3.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Note: Details of "note 3.1 to the consolidated financial statements" is included in the annual report for the year ended 31 December 2017.

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 2017 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, 21 March 2018

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