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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)

**SUPPLEMENTAL ANNOUNCEMENT
TO THE ANNUAL REPORT OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2017**

Reference is made to the announcement on the final results of the Company for the year ended 31 December 2017 and the annual report of the Company for the year ended 31 December 2017 (“**2017 Annual Report**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as in the 2017 Annual Report.

In the 2017 Annual Report, the auditor of the Company have issued a qualified opinion on the balance of Xinhua (Daqing) Merchandise Exchange Company Limited (“**XHME**”) (the “**XHME Audit Qualification**”), including the share of XHME’s loss of HK\$31,937,000, which includes a share of impairment loss of HK\$5,114,000 in respect of XHME’s investee company. The auditor explained that the reason for the qualification is that they have not been provided with sufficient audit evidence on an investee company of XHME (“**Investee Company**”) to carry out appropriate audit procedures as the component auditor was unable to obtain financial information of the Investee Company because the management of XHME was unable to obtain financial information from the Investee Company.

The board (“**Board**”) of directors of the Company (“**Director**”) would like to provide the following supplemental information in relation to the XHME Audit Qualification:

- The Audit Committee of the Board accepted the XHME Audit Qualification given that the Company is only an indirect minority investor in XHME, hence the Company’s role in resolving the issues leading to the qualification is rather limit. However, the Audit Committee has urged the management of the Company working through its one representative on the board of XHME to (i) speed up the examination process of the business operations in XHME; (ii) continue to locate the responsible persons of the Investee Company; and (iii) urge the board of XHME to consider commencing the dissolution process to dissolve the Investee Company.
- The management of the Company accepted the XHME Audit Qualification and the recommendations of the Audit Committee mentioned above.
- As such, the Board is considering to take the following actions to remove the XHME Audit Qualification in the Company’s next financial statements:
 - (a) the Company may consider disposing its interests in XHME, if the opportunity arises, so that the uncertainties surrounding the Company’s investment in XHME will be removed. In this regard, the Company has on 18 April 2018 entered into a non-legally binding memorandum of understanding with a potential purchaser in relation to the disposal of the Company’s entire interest in XHME;
 - (b) in order to restore the operation of XHME, the Company will pro-actively request the management of XHME to co-operate with the local government to speed up the examination process;
 - (c) the Company was informed by XHME that it may consider dissolving the Investee Company. The Company will request XHME to take appropriate course of actions to dissolve the Investee Company; and
 - (d) the management will continue to discuss with its auditor on the appropriate accounting treatment of its investment in XHME, particularly in light of the fact that the value of the Company’s investment in XHME has almost been impaired in full.

Subject to the progress of discussions with the potential purchaser, the Company intends to execute the disposal of its interest in XHME in the second or third quarter of the year. As the Company does not control XHME, whether or not and when to dissolve the Investee Company is beyond the control of the Company. Further announcement will be made by the Company to update its shareholders and the investing public of the progress of the disposal and the dissolution of the Investee Company as and when appropriate.

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

Hong Kong, 4 May 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).