

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



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 2018**

Reference is made to the announcement (the “**Announcement**”) on the final results of Sheng Yuan Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2018 and the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”).

In the 2018 Annual Report, the auditor of the Company (the “**Auditor**”) has issued a qualified opinion on the Group’s share of loss in an associate named Xinhua (Daqing) Merchandise Exchange Company Limited (“**XHME**”) and the loss on disposal of a subsidiary, Joinbo Holdings Limited (“**JHL**”), which indirectly owned the equity interest in XHME (the “**2018 Qualified Opinion**”). As advised by the Auditor, the qualification was because the Auditor was unable to obtain relevant financial and other information of the investee company of XHME (the “**Investee Company**”) to assess the carrying amount of XHME’s investment in the Investee Company prior to the disposal of JHL. In addition, there were insufficient audit evidence relating to the impairment review of the Group’s interest in associate as of 31 December 2017 and the Auditor was unable to obtain relevant financial and other information of the Investee Company during their course of auditing the Company’s consolidated financial statements for the year ended 31 December 2017. The limitations leading to the qualified opinion on the Company’s consolidated financial statements for the year ended 31 December 2017 as set out in the Auditor’s report dated 21 March 2018 remained unresolved during the audit of the Group’s consolidated financial statements for the year ended 31 December 2018 and may have consequential impact on (a) the Group’s share of associate’s loss of HK\$1,723,000; and (b) the loss on disposal of subsidiaries of HK\$2,919,000 for the year ended 31 December 2018.

The board (the “**Board**”) of directors of the Company (the “**Director**”) would like to provide the following supplemental information relating to the 2018 Audit Qualification:

- The Company has discussed with the Auditor on the 2018 Qualified Opinion prior to the publication of the Announcement.
- The Board and the audit committee of the Board (the “**Audit Committee**”) (after reviewing the Board’s view, with consistent view), accepted the 2018 Qualified Opinion because the Company was only an indirect minority investor in XHME prior to the disposal of JHL and the Company subsequently disposed of the entire issued share capital of JHL on 28 June 2018. Hence, the Company no longer held any interest in XHME and XHME ceased to be recognised as an associate in the consolidated financial statements of the Company since 28 June 2018. Therefore, the Company’s role in resolving the issues leading to the 2018 Qualified Opinion, in particular, the ability to obtain the relevant financial and other information of the Investee Company, is rather limited.
- Under the prevailing auditing standards, when the auditor’s report on the prior period, as previously expressed, included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the matter which gave rise to the modified opinion is resolved and properly accounted for or disclosed in the financial statements in accordance with the applicable financial reporting framework, the auditor’s opinion on the current period need not refer to the previous modification. When the auditor’s opinion on the prior period, as previously expressed, was modified, the unresolved matter that gave rise to the modification may not be relevant to the current period figures, a qualified opinion, a disclaimer of opinion, or an adverse opinion (as applicable) may be required on the current period’s financial statements because of the effects or possible effects of the unresolved matter on the comparability of the current and corresponding figures. Therefore, whether qualified opinion would be issued for the next financial year (i.e. the financial year ending 31 December 2019) will depend on whether the matters gave rise to the modified opinion will be resolved in the next financial year and the significance of the effect of the unresolved matters on the comparability of the figures for the next financial year and the corresponding figures. Given the Group has disposed of JHL during the year of 2018, the Company expects that the 2018 Qualified Opinion would be removed in the next financial year as the Company is of the view that

the effect of the unresolved matter on the comparability of the figures for the next financial year and corresponding figures is insignificant as the Group's share of associate's loss of HK\$1,723,000 and the loss on disposal of subsidiaries of HK\$2,919,000 (collectively, the "Qualified Items") only account for approximately 2.1% and 3.5% of the total operating expenses (being the aggregate of staff costs, depreciation, finance costs and other expenses which amounted to HK\$83,365,000) for the year ended 31 December 2018 respectively and the Qualified Items will not happen in the next financial year after the disposal of JHL.

By order of the Board
Sheng Yuan Holdings Limited
Qiu Bin

Executive Director and Chief Executive Officer

Hong Kong, 7 May 2019

As at the date of this announcement, the Board consists of Mr. Qiu Bin, Ms. Cheng Kit Sum, Clara and Mr. Zhou Quan (all being executive Directors), Mr. Mu Hao and Mr. Zhao Yun (all being non-executive Directors), Ms. Fang Fang, Mr. Fung Tze Wa, Dr. Huan Guocang and Mr. Lo Ka Wai (all being independent non-executive Directors).