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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 2021 AND CHANGE OF THE DATE OF AGM AND THE PERIOD OF BOOK CLOSURE

Reference is made to the announcements of Sheng Yuan Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) (i) dated 26 April 2022 in relation to, among others, the delay in publication of audited annual results announcement for the year ended 31 December 2021 (the “**Reporting Period**”); and (ii) dated 30 March 2022 (the “**Preliminary Results Announcement**”) in relation to, among others, the unaudited annual results of the Group for the Reporting Period, respectively.

The board of directors (the “**Directors**”, collectively referred to as the “**Board**”) of the Company is pleased to announce that BDO Limited, the auditor of the Company (the “**Auditor**”), has completed its audit of the consolidated financial statements of the Group for the Reporting Period. The audited annual results of the Group for the Reporting Period (the “**2021 Audited Annual Results**”) have been reviewed by the Audit Committee and were approved by the Board on 10 May 2022.

MATERIAL DIFFERENCE BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since the financial information contained in the 2021 Unaudited Annual Results Announcement was neither audited nor agreed with the Auditor as at the date of its publication, and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to the differences between the financial information contained in the 2021 Unaudited Annual Results and the 2021 Audited Annual Results. Set forth below are the principal details and reasons for the material differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

1. Changes on consolidated statement of profit and loss and other comprehensive income

	2021 Audited	2021 Unaudited		
	Annual Results	Annual Results	Differences	Note
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
			Dr/(Cr)	
Revenue	43,306	43,338	32	A
Purchase of inventories for trading business	(1,660)	(1,692)	(32)	B
Other gain and loss	1,199	929	(270)	D
Income tax expenses	(5,708)	(5,669)	39	C

2. Changes on consolidated statement of financial position

	2021 Audited	2021 Unaudited		
	Annual Results	Annual Results	Differences	Note
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
			Dr/(Cr)	
Debt instruments held at fair value through profit or loss	19,797	–	19,797	D
Receivable and prepayments	28,585	48,112	(19,527)	E
Current tax assets	3,105	3,149	(44)	C
Current tax liabilities	2,827	2,832	5	C

Note A: reallocation of accounts (netting of handling fee charge and income for securities brokerage)

Note B: reallocation of accounts (netting of handling fee charge and income for securities brokerage)

Note C: adjustment on income tax expenses

Note D & E: the Company made a bond investment of US\$2.5 million. Such investment was previously grouped within the Receivable and Prepayments under the current-assets section, and is moved to Debt Instruments Held at Fair Value through Profit or Loss under the non-current assets section. Furthermore, a fair value adjustment related to this investment is made at the year end, having an impact of approximately HK\$0.27 million on Other Gain and Loss.

Save as disclosed in this announcement, all other information contained, in material aspects, in the Preliminary Results Announcement remains unchanged.

The Board of the Company is pleased to announce the 2021 Audited Annual Results together with the comparative figures for the corresponding year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	5	43,306	44,549
Other gains and losses	6	1,199	(112)
Other income	7	272	793
Purchase of inventories for trading business		(1,660)	–
Staff costs	9	(10,797)	(12,329)
Depreciation		(3,005)	(3,072)
Finance costs	8	(7,962)	(6,893)
Other expenses	9	(7,907)	(8,019)
Loss allowances on trade receivables		(3,088)	(444)
Profit before income tax	9	10,358	14,473
Income tax expense	10	(5,708)	(2,467)
Profit for the year		4,650	12,006

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
— Exchange differences on translating foreign operations			
Exchange differences arising during the year		<u>(4)</u>	<u>10</u>
Other comprehensive income for the year		<u>(4)</u>	<u>10</u>
Total comprehensive income for the year		<u>4,646</u>	<u>12,016</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	<i>12</i>		
— Basic		<u>0.12</u>	<u>0.31</u>
— Diluted		<u>0.12</u>	<u>0.31</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		1,274	1,977
Right-of-use assets	<i>16</i>	4,008	6,310
Trading rights		–	–
Goodwill		–	–
Other assets		1,705	1,730
Long-term deposit		806	806
Debt instruments held at fair value through profit or loss		19,797	–
		<hr/> 27,590	<hr/> 10,823
Current assets			
Trade and other receivables and prepayments	<i>13</i>	28,585	21,776
Held for trading investments	<i>14</i>	265	20
Current tax assets		3,105	–
Trust bank balances held on behalf of clients		30,262	12,644
Cash and cash equivalents		69,100	34,649
		<hr/> 131,317	<hr/> 69,089

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current liabilities			
Trade and other payables and accruals	<i>15</i>	41,841	15,875
Lease liabilities	<i>16</i>	2,432	1,966
Contract liabilities		450	736
Current tax liabilities		2,827	2,407
		<u>47,550</u>	<u>20,984</u>
Net current assets		<u>83,767</u>	<u>48,105</u>
Non-current liabilities			
Borrowings		–	104,988
Convertible bonds		140,395	–
Lease liabilities	<i>16</i>	2,270	4,702
		<u>142,665</u>	<u>109,690</u>
Net liabilities		<u>(31,308)</u>	<u>(50,762)</u>
EQUITY			
Share capital		190,985	190,985
Reserves		(222,293)	(241,747)
Capital deficiency		<u>(31,308)</u>	<u>(50,762)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 26th Floor, 238 Des Voeux Road Central, Sheung Wan, 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 2021 were approved for issue by the board of directors on 10 May 2022.

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 2021

The Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group. HKFRSs include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the HKICPA.

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform — Phase 2
COVID-19 — Related Rent Concessions

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

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued but are not yet effective and have not been early adopted by the Group. 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.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁴
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁴
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
Amendments to HKAS 8	Definition of Accounting Estimates ⁴
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁴
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
HKFRS 17	Insurance Contracts ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ¹
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 9 Financial Instruments and HKFRS 16 Lease ²

¹ Effective for annual periods beginning on or after 1 April 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

The directors of the Company are currently assessing the possible impact of these new or revised standards on the Group's results and financial position in the first year of application. The directors of the Company anticipate that these new or amended HKFRSs are not expected to have a material impact on the Group's financial statements.

3. BASIS OF PREPARATION

As at 31 December 2021, the Group had net liabilities of approximately HK\$31 million and as of that date, the Group had a convertible bonds with a principal amount of HK\$150 million issued to the Company's substantial shareholder, Yuanyin Holdings Limited, which will be due in May 2023 ("SYHL Bonds").

These events and conditions may cast significant doubt about the Group's ability to continue as going concern.

Given the above conditions, the Company's directors have prepared a cash flow projection ("**Projection**") for a period of eighteen months after the end of the reporting period, after taking into consideration the following:

- Subsequent to the end of the reporting period, the substantial shareholder, Yuanyin Holdings Limited, has irrevocably undertaken that, in the absence of any event of default under the SYHL Bonds and subject to the fulfilment of all the conditions precedent of conversion, it will exercise its conversion rights to convert all of the SYHL Bonds to conversion shares before the end of the conversion period; and
- The Group is working on expanding its operations through soliciting new customers and shall continue to apply various measures to tighten its operating expenditures in order to improve its financial performance and cash flows.

Based on the above measures, the Company's directors are of the opinion that the Group will be able to generate sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the forecast period under the Projection. Accordingly, the consolidated financial statements are prepared on a going concern basis. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the consolidated financial statements to write down the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

4. 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 and futures contracts, 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.

2021	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>
Reportable segment revenue					
External customers					
— Fee and commission income	12,268	29,357	–	–	41,625
— Trading of chemical products	–	–	–	1,681	1,681
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Inter-segment	–	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	12,268	29,357	–	1,681	43,306
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Revenue from external customers					
— Timing of revenue recognition					
Point in time	12,268	–	–	1,681	13,949
Over time	–	29,357	–	–	29,357
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	12,268	29,357	–	1,681	43,306
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
— Geographical region					
Hong Kong	12,268	29,357	–	1,681	43,306
Mainland China	–	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	12,268	29,357	–	1,681	43,306
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reportable segment result	6,105	22,346	1,061	(199)	29,313
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation	–	–	–	–	–
(Reversal of)/Provision for loss allowances on trade receivables	(303)	3,391	–	–	3,088
Fair value gain on held for trading investments	–	–	1,071	–	1,071
Finance costs	–	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Reportable segment assets	32,033	25,128	392	2,783	60,336
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reportable segment liabilities	31,069	1,171	41	62	32,343
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

2020	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>
Reportable segment revenue					
External customers					
— Fee and commission income	32,516	12,033	—	—	44,549
	32,516	12,033	—	—	44,549
Inter-segment	—	—	—	—	—
	<u>32,516</u>	<u>12,033</u>	<u>—</u>	<u>—</u>	<u>44,549</u>
Fee and commission income from external customers					
— Timing of revenue recognition					
Point in time	32,516	—	—	—	32,516
Over time	—	12,033	—	—	12,033
	<u>32,516</u>	<u>12,033</u>	<u>—</u>	<u>—</u>	<u>44,549</u>
— Geographical region					
Hong Kong	32,516	12,033	—	—	44,549
Mainland China	—	—	—	—	—
	<u>32,516</u>	<u>12,033</u>	<u>—</u>	<u>—</u>	<u>44,549</u>
Reportable segment result	<u>24,390</u>	<u>3,341</u>	<u>(468)</u>	<u>(38)</u>	<u>27,225</u>
Depreciation	19	37	—	—	56
Loss allowances on trade receivables	303	141	—	—	444
Fair value loss on held for trading investments	—	—	6	—	6
Finance costs	—	—	—	—	—
Net losses on written off property, plant and equipment	62	19	58	—	139
Reportable segment assets	<u>30,624</u>	<u>5,089</u>	<u>147</u>	<u>38</u>	<u>35,898</u>
Reportable segment liabilities	<u>13,475</u>	<u>431</u>	<u>41</u>	<u>60</u>	<u>14,007</u>

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 other income; directors' emoluments; interest expenses on the loan from a related company, lease liabilities and liability component of the convertible bonds; 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 current 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 borrowings 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Reportable segment revenue	<u>43,306</u>	<u>44,549</u>
Group's revenue	<u><u>43,306</u></u>	<u><u>44,549</u></u>
Reportable segment result	29,313	27,225
Other income	272	793
Finance costs	(7,962)	(6,893)
Corporate expenses**	<u>(11,265)</u>	<u>(6,652)</u>
Group's profit before income tax	<u><u>10,358</u></u>	<u><u>14,473</u></u>

	2021	2020
	HK\$'000	HK\$'000
Reportable segment assets	60,336	35,898
Current tax assets	3,105	–
Cash and cash equivalents	69,100	34,649
Corporate assets	26,366	9,365
	<u> </u>	<u> </u>
Group's assets	158,907	79,912
	<u> </u>	<u> </u>
Reportable segment liabilities	32,343	14,007
Borrowings	–	104,988
Convertible bonds	140,395	–
Current tax liabilities	2,827	2,407
Corporate liabilities	14,650	9,272
	<u> </u>	<u> </u>
Group's liabilities	190,215	130,674
	<u> </u>	<u> </u>

	Reportable		Unallocated		Consolidated	
	segment total					
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other material items						
Depreciation and amortisation	–	56	3,005	3,016	3,005	3,072
Finance costs	–	–	7,962	6,893	7,962	6,893
Expenditures for additions to non-current assets*	–	–	–	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </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 and right-of-use assets.

	Revenue from external customers		Non-current assets*	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong (domicile)#	43,306	44,549	5,282	8,287
Mainland China	—	—	—	—
	<u>43,306</u>	<u>44,549</u>	<u>5,282</u>	<u>8,287</u>

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

** mainly staff costs, including directors' emoluments, and other professional fees.

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:

	2021 HK\$'000	2020 HK\$'000
Customer A <i>(note i)</i>	N/A	15,448
Customer B <i>(note i)</i>	N/A	7,750
Customer C <i>(note i)</i>	9,782	5,872
Customer D <i>(note ii)</i>	10,000	N/A
Customer E <i>(note ii)</i>	6,700	N/A
Customer F <i>(note ii)</i>	<u>5,000</u>	<u>N/A</u>

Notes:

- i. Revenue from these customers is attributable to securities brokerage and financial services segment.
- ii. Revenue from these customers is attributable to asset management services segment.

5. REVENUE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Securities brokerage and financial services segment:		
— Securities and futures brokerage	61	1,125
— Underwriting and placing	12,207	31,082
— Others	—	309
	12,268	32,516
Asset management services segment:		
— Fund and portfolio management and investment advisory	29,357	12,033
Trading business segment:		
— Trading of chemical products	1,681	—
Total	43,306	44,549

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables (<i>Note 13</i>)	26,023	20,722
Contract liabilities	450	736

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its customer contracts relating to fund and portfolio management and investment advisory services such that the Group had not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less and any estimated amounts of variable consideration that are constrained.

6. OTHER GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Change in fair value of debt instruments held at fair value through profit or loss	270	–
Changes in fair value of held for trading investments	1,071	(6)
Net foreign exchange (loss)/gains	(142)	1
Net loss on disposals/write off of property, plant and equipment	–	(107)
	<u>1,199</u>	<u>(112)</u>

7. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income from banks and others	2	3
Sundry income (<i>note</i>)	270	790
	<u>272</u>	<u>793</u>

Note: The Group was granted subsidies of HK\$790,000 from the Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Government of the Hong Kong Special Administrative Region for supporting the payroll of the Group’s employees during the year ended 31 December 2020. The Company has complied with the requirements set out the in the ESS for the year.

8. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Effective interest on liability component of convertible bonds	5,303	–
Interest on loans from a shareholder	1,923	5,905
Interest on lease liabilities (<i>note 16</i>)	736	988
	<u>7,962</u>	<u>6,893</u>

9. PROFIT BEFORE INCOME TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before income tax is arrived at after charging:		
Staff costs, including directors' emoluments		
— Fees, salaries, allowances and bonuses	10,459	12,619
— Retirement benefit scheme contributions*	338	(290)
	<u>10,797</u>	<u>12,329</u>
Other expenses		
— Auditor's remuneration	1,390	1,300
— Entertainment and gifts	172	71
— Other professional fees	1,474	2,069
— System license and subscriptions	997	701
— Registration and listing expenses	300	614
— Office expense	550	559
— Travelling expense	53	30
— Insurance expense	307	597
— IT Expenses	300	201
— Expense relating to short-term leases	101	219
— Others	2,263	1,658
	<u>7,907</u>	<u>8,019</u>

* The amount for included forfeited contributions of HK\$Nil (2020: HK\$483,000) in respect of employees who left employment prior to such contributions vesting fully in accordance with the rules of the MPF Scheme.

10. INCOME TAX EXPENSES

Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime for both current and previous years. Under the two-tier profits tax rates regime, the first HK\$2 million of profits of qualifying corporation are taxed at 8.25%, and profits above HK\$2 million are taxed at 16.5%. The profits of corporation not qualifying for the two-tier profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax — Hong Kong profits tax		
— Provision for current year	5,380	2,407
— Under provision in respect of prior years	328	60
	<u>5,708</u>	<u>2,467</u>
Total income tax expense	<u>5,708</u>	<u>2,467</u>

Reconciliation between income tax expenses and profit before income tax at applicable tax rate is as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	<u>10,358</u>	<u>14,473</u>
Notional tax at Hong Kong profits tax rate of 16.5% (2020: 16.5%)	1,709	2,388
Effect of different tax rates of subsidiaries operating in other jurisdictions	–	(40)
Tax effect of concessionary tax rate	(165)	(165)
Tax effect of revenue not taxable for tax purpose	(402)	(70)
Tax effect of expenses not deductible for tax purpose	1,687	243
Tax effect of unused tax losses not recognised as deferred tax asset	2,469	3,012
Tax effect of prior years' unrecognised tax losses utilised this year	(2)	(3,053)
Tax effect of temporary differences not recognised	84	92
Under provision in respect of prior years	<u>328</u>	<u>60</u>
Income tax expense	<u>5,708</u>	<u>2,467</u>

11. DIVIDENDS

No dividend was proposed or paid during the years ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

12. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$4,650,000 (2020: HK\$12,006,000) and the weighted average number of 3,819,705,413 (2020: 3,819,705,413) ordinary shares in issue during the year.

Diluted earnings per share

For the year ended 31 December 2021

On 21 May 2021, the Company issued convertible bonds with aggregate principal amount of HK\$150,000,000. The computation of diluted earnings per share for the year does not assume the conversion of these convertible bonds as it would result in an increase in earnings per share.

For the year ended 31 December 2020

The diluted earnings per share is the same as the basic earnings per share as there are no dilutive potential ordinary shares in existence.

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	26,023	20,722
Prepayments	1,869	459
Other receivables	693	595
	<u>28,585</u>	<u>21,776</u>

The analysis of trade receivables is as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Arising from the business of dealing in securities and futures contracts — Hong Kong Securities Clearing Company Limited (“ HKSCC ”) and HKFE Clearing Corporation Limited (“ HKCC ”)	8	253
Arising from asset management services	27,866	4,709
Arising from underwriting and placing services	–	16,204
Arising from trading of chemical products	1,681	–
Less: Loss allowances	(3,532)	(444)
	<u>26,023</u>	<u>20,722</u>

The normal settlement terms of trade receivables arising from the business of dealing in securities are one to two business days after the respective trade dates. The normal settlement terms of trade receivables arising from the business of dealing in futures contracts are one business day after the respective trade dates. The amount due from 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% (2020: 3%) per annum. The amounts due from HKSCC and HKCC are repayable on demand except for the required margin deposits for the trading of futures contracts.

The Group does not provide any credit term to clients for its asset management services. Settlement of amounts arising from underwriting and placing services is in accordance with the terms set out in respective agreements, usually within one year after the service obligation has been fulfilled.

The following table provides information about the exposure to credit risk for amounts arising from asset management and securities brokerage and financial services:

	31 December 2021 HK\$'000	31 December 2021 HK\$'000
Not yet past due	7,488	18,338
0–30 days past due	2,010	441
31–60 days past due	328	439
61–90 days past due	1,974	439
91–180 days past due	5,974	60
181–365 days past due	8,889	1,160
Over 365 days past due	2,884	36
	<u>29,547</u>	<u>20,913</u>

14. HELD FOR TRADING INVESTMENTS

	2021 HK\$'000	2020 HK\$'000
Listed equity securities	<u>265</u>	<u>20</u>

15. TRADE AND OTHER PAYABLES AND ACCRUALS

	2021 HK\$'000	2020 HK\$'000
Trade payables arising from the business of dealing in securities and futures contracts		
— Cash clients	30,202	12,439
— Margin clients	66	473
	<u>30,268</u>	<u>12,912</u>
Other payables	9,083	1,093
Accruals	2,490	1,870
	<u>41,841</u>	<u>15,875</u>

The normal settlement terms of trade payables arising from the business of dealing in securities are one to two business days after the respective trade dates. The normal settlement terms of trade payables arising from the business of dealing in futures contracts are one business day after the respective trade dates. The amounts payable to cash and margin clients are repayable on demand except for the required margin deposits for the trading of futures contracts. 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.

16. LEASES

The Group leases a number of office properties from which it operates. Rental contracts are typically made for a fixed period of 3 years, but may have extension options which is exercisable by the Group to further extend the lease terms for 3 years.

The extension option in office leases have not been included in the lease liability since the Group could replace the assets without significant cost or business disruption. As at 31 December 2021, potential future cash outflows of HK\$8,650,000 (2020: HK\$ HK\$8,650,000) (undiscounted) have not been included in the lease liabilities because it is not reasonably certain that the leases will be extended.

None of the leases contain variable lease payments.

Set out below are the carrying amounts of right-of-use assets and lease liabilities recognised and the movements during the year:

Right-of-use assets

	Land and buildings	
	2021	2020
	HK\$'000	HK\$'000
At the beginning of the year	6,310	8,612
Depreciation	(2,302)	(2,302)
At the end of the year	<u>4,008</u>	<u>6,310</u>

Lease liabilities

	Land and buildings	
	2021	2020
	HK\$'000	HK\$'000
At the beginning of the year	6,668	8,746
Interest expense	736	988
Lease payments	(2,702)	(3,066)
At the end of the year	<u>4,702</u>	<u>6,668</u>
Analysed into:		
Current liabilities	2,432	1,966
Non-current liabilities	<u>2,270</u>	<u>4,702</u>

As at 31 December 2021 and 2020, the Group had total future lease payments for leases committed but not yet commenced falling due as follows:

	Minimum lease payments <i>HK\$'000</i>	Interest <i>HK\$'000</i>	Present value <i>HK\$'000</i>
Not later than one year	2,702	(736)	1,966
Later than one year and not later than two years	2,884	(452)	2,432
Later than two year and not later than five years	<u>2,401</u>	<u>(131)</u>	<u>2,270</u>
At 31 December 2020	<u><u>7,987</u></u>	<u><u>(1,319)</u></u>	<u><u>6,668</u></u>
Not later than one year	2,884	(452)	2,432
Later than one year and not later than two years	<u>2,401</u>	<u>(131)</u>	<u>2,270</u>
At 31 December 2021	<u><u>5,285</u></u>	<u><u>(583)</u></u>	<u><u>4,702</u></u>

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Depreciation expense of right-of-use assets	2,302	2,302
Interest on lease liabilities (<i>note 8</i>)	736	988
Expense relating to short-term leases	<u>101</u>	<u>219</u>

The Group has no expense relating to leases of low-value assets, excluding short-term leases of low-value assets.

The total cash outflow for lease in the year ended 31 December 2021 was HK\$2,702,000 (2020: HK\$3,066,000).

FINAL DIVIDEND

The Directors did not recommend the payment of any dividend for the year ended 31 December 2021.

BUSINESS AND FINANCIAL REVIEW

The Group's business performance showed positive results, despite of the negative impact from COVID-19. For the year ended 31 December 2021, revenue of the Group slightly decreased to approximately HK\$43.3 million, representing 3% drop as compared with approximately HK\$44.5 million for the year ended 31 December 2020. Profit for the year ended 31 December 2021 was approximately HK\$4.7 million, as compared with profit of approximately HK\$12.0 million of the year ended 31 December 2020. Such decrease of 61% is primarily attributable to both slight drop in revenue and increases in some expense items, including purchase of inventories for trading business, loss allowance on receivables, finance cost, and income taxes for the year ended 31 December 2021.

During the year ended 31 December 2021, the total revenue of Sheng Yuan Financial Services Group Limited (a subsidiary of the Company) and its subsidiaries (collectively, the “**SYFS Group**”) decreased by approximately 7% to approximately HK\$41.6 million (2020: HK\$44.5 million). For securities business, revenue from securities brokerage and financial services during the year ended 31 December 2021 decreased by 62% to approximately HK\$12.3 million (2020: approximately HK\$32.5 million); segment result dropped by 75% to a profit of approximately HK\$6.1 million (2020: approximately HK\$24.4 million). Such decreases in revenue and profit were mainly because some clients postponed their Debt Capital Market (“**DCM**”) and Equity Capital Market (“**ECM**”) projects during the year under the impact of COVID-19.

For asset management business, as of 31 December 2021, Sheng Yuan Asset Management Limited (“**SYAM**”) acted as the fund manager or investment adviser for 2 funds and 3 discretionary accounts. The total assets under management (the “**AUM**”) of SYAM increased by nearly 16% to approximately HK\$1.9 billion for the year ended 31 December 2021 (2020: approximately HK\$1.7 billion). During the year ended 31 December 2021, SYAM recorded segment revenue of approximately HK\$29.4 million (2020: approximately HK\$12.0 million), representing an increase of approximately 144%; it recorded segment profit of approximately HK\$22.3 million (2020: profit of approximately HK\$3.3 million), representing an increase of approximately 569%. Such increase was mainly due to the Group's efforts to develop business opportunities within this segment, as well as to stringent cost control imposed by the Group. SYAM knows well of the dynamics in the capital market and owns experienced investment team and unique analysis and advice.

For proprietary trading business, the Group mainly invests in the listed shares and real estate bonds in Hong Kong market. During the year ended 31 December 2021, as the cash position of the Group improved significantly, the Group resumed its proprietary trading business to expand its source of revenue. The segment profit from proprietary trading business was approximately HK\$1.1 million (2020: loss of approximately HK\$0.5 million).

The Group also tried to resume its trading business during the year to expand and diversify its source of revenue. During the year ended 31 December 2021, the segment recorded a loss of approximately HK\$0.2 million (2020: HK\$0.04 million).

PROSPECTS AND FUTURE PLANS

Looking forward to 2022, the market conditions for Hong Kong remain uncertain and continue to face new challenges, as the city is still trying to control and recover from COVID-19. Evolving China-US relations and geopolitical tensions are also risk factors that warrant attention. Due to the abovementioned factors, the Directors expect that there are still existences of uncertainties and adverse effects on the overall business of our Group with the weak economic conditions in Hong Kong. To cope with the challenging environments, the Group will continue to evaluate development opportunities to strengthen our competitive advantage through deploy more resources for seizing this market potential and broaden its revenue so as to generate value for shareholders. The Directors are confident to achieve sustainable growth from 2021 and bring greater returns to our shareholders.

The Group has formulated business plans to enhance its financial positions, as well as to the develop its existing business operations. For securities brokerage business, the Group will utilize its expertise and network to secure DCM and ECM deals in order to generate underwriting income. The Group will also step up its efforts in asset management business by establishing additional funds of various types, developing more financial products, and expanding its customer base to keep abreast of the market trends by focusing on high-valued customers and potential professional investor groups. The Group issued a 1%, 2 year convertible bond of HK\$150,000,000 (the “**Convertible Bonds**”) during the year to Yuanyin Holdings Limited, a substantial shareholder of the Company to replacing the 5% shareholder’s loan in the principal amount of HK\$99,800,000 owed by the Group to Yuanyin Holdings Limited beside the reception of HK\$50,200,000 cash. With more cash generated by the issuance of the Convertible Bonds as well as by the sound financial results during the past 2 years, the Group also tries to resume its proprietary trading and trading business to expand source of revenue. Furthermore, the management team is dedicated to continually taking active steps to control the Group’s operating costs and improve operating efficiency in order to generate greater returns to its shareholders.

It is expected that with the successful implementation of these business plans, the Company may be able to generate positive cash flows from operations and significantly improving its operating performance.

ACQUISITION AND DISPOSAL

There was no material acquisition or disposal during the year ended 31 December 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2021, cash and bank balances in general accounts maintained by the Group were approximately HK\$69.1 million, representing an increase of approximately 99% from approximately HK\$34.6 million as of 31 December 2020. Balances in trust and segregated accounts were approximately HK\$30.3 million (2020: HK\$12.6 million). Receivables and prepayments were approximately HK\$28.6 million as at 31 December 2021 (2020: HK\$21.8 million), which mainly represented increased receivables from asset management as due to the Group's effort to expand such businesses. Payables and accruals were approximately HK\$41.8 million as at 31 December 2021 (2020: HK\$15.9 million).

The Group's current assets and current liabilities as of 31 December 2021 were approximately HK\$131.3 million (2020: HK\$69.1 million) and approximately HK\$47.6 million (2020: HK\$21.0 million), respectively. The long-term liability as of 31 December 2021 were approximately HK\$142.7 million (2020: HK\$109.7 million). The gearing ratio of the Group, measured as total debts to total assets, was approximately 88% as at 31 December 2021 (2020: 131%). As at 31 December 2021, the Group recorded net liabilities of approximately HK\$31.3 million (2020: HK\$50.8 million). During the year ended 31 December 2021, the Group financed its operations with internally generated cash flow and funds from borrowings.

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

The Directors monitor the Group's capital structure by reviewing cash flow requirements and considering its future financial obligations and commitments. The capital structure of the Group comprises of issued share capital and reserves attributable to shareholders. The Directors review the Group's capital structure regularly. There are no changes in capital structure during the year.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any material contingent liabilities.

DIVIDEND POLICY

The Company has a dividend policy, the objective of which is to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves to sustain the Group's future growth. The declaration, form, frequency and amount of dividend paid by the Company must be in accordance with relevant laws and regulations and subject to the byelaws of the Company. In deciding whether to declare any dividend, the Board will take into account of a number of factors, including the financial results, the distributable reserves, the operations and liquidity requirements, and the current and future development plans of the Company. The Board will review the dividend policy of the Company as appropriate from time to time.

PLEDGE OF ASSETS

As at 31 December 2021, the Group did not have any pledged assets.

HUMAN RESOURCES

As at 31 December 2021, the Group employed 26 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.

The Group regards our staff as the most important asset and resource and provides regular training courses and a variety of development programs and has developed relevant training policies and procedures to enhance the effectiveness of such training programs.

During the reporting period, the Group has organized both internal and external training courses for employees. Such training courses covered topics including but not limited to industrial updates, compliance matters, occupational health, and safety, etc.

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

During the year ended 31 December 2021, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The unaudited results for the year ended 31 December 2021 have been reviewed by the Audit Committee. The Audit Committee comprises three members namely Ms. Huang Qin (Chairman), Mr. Zhang Jinfan, and Mr. Huang Shuanggang. Ms. Huang Qin and Mr. Zhang Jinfan are both independent non-executive Directors, and Mr. Huang Shuanggang is a non-executive Director.

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. Zhang Jinfan (Chairman), Ms. Huang Qin, and Ms. Wen Han Qiuzi.

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 the Chairman of the Board and two independent non-executive Directors namely, Mr. Liu Zilei (Chairman), Mr. Zhang Jinfan and Ms. Wen Han Qiuzi.

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 Listing Rules during the year ended 31 December 2021 except the following deviations:

The Code provision C.2.1 stipulates that the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. Mr. Liu Yang served as an executive Director, Chief Executive Officer and the Chairman of the Board during the year 2021 until 28 October 2021. Mr. Liu Zilei was appointed as an executive Director, Chief Executive Officer and the Chairman of the Board with effect from 29 October 2021. 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 safeguards in place, and the current arrangement would not impair the balance of power of the Company.

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 2021.

DETAILS OF THE INDEPENDENT AUDITOR’S REPORT

The following is the extract of the independent auditor’s report of the Company for the year ended 31 December 2021:

Material Uncertainty Related to Going Concern

We draw attention to note 3.1 in the consolidated financial statements, which indicates that, as at 31 December 2021, the Group had net liabilities of approximately HK\$31 million and as of that date, the Group had a convertible bonds with a principal amount of HK\$150 million issued which will be due in May 2023. As stated in note 3.1, these events and conditions 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: Extract of “note 3.1 to the consolidated financial statements” is included in note 3 to this annual results announcement.

CHANGE OF THE DATE OF AGM AND THE PERIOD OF BOOK CLOSURE

The Board announces that the annual general meeting of the Company (the “**AGM**”) originally scheduled to be held on Wednesday, 1 June 2022 will be rescheduled to be held at 10:00 a.m. on Tuesday, 14 June 2022. Notice of the AGM will be published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.shengyuanhk.com) and issued to shareholders of the Company in due course.

The register of members of the Company was originally scheduled to be closed from Friday, 27 May 2022 to Wednesday, 1 June 2022, both days inclusive, in order to determine the identity of the shareholders of the Company who are entitled to attend the AGM. With the change of the date of the AGM, the book closure period of the register of members of the Company has been changed to Thursday, 9 June 2022 to Tuesday, 14 June 2022, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to be eligible to attend and vote at the AGM, all transfer documents, together with the relevant share certificates must be lodged with Company's share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 8 June 2022.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This audited results announcement is published on the websites of the Company (www.shengyuanhk.com) and the Stock Exchange (www.hkexnews.hk). The annual report for the year ended 31 December 2021 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
Liu Zilei
Chairman

Hong Kong, 10 May 2022

As at the date of this announcement, the Board consists of Mr. Liu Zilei, Mr. Zhou Quan and Mr. Zhao Yun (all being executive Directors), Mr. Huang Shuanggang (being a non-executive Director), Mr. Zhang Jinfan, Ms. Wen Han Qiuzi and Ms. Huang Qin (all being independent non-executive Directors).