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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)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors (the “**Directors**”, collectively referred to as the “**Board**”) of Sheng Yuan Holdings Limited (the “**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 together with the comparative figures for the corresponding period in 2021 as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Revenue</b>	5	<b>42,588</b>	17,955
Other gains and losses	6	(7,471)	(83)
Other income	7	2,954	22
Purchase of inventories for trading business		(4,717)	–
Staff costs	8	(6,616)	(4,902)
Depreciation		(1,498)	(1,501)
Finance costs	8	(4,673)	(3,276)
Impairment losses on trade and other receivables		(7,647)	(1,167)
Other expenses	8	(3,818)	(3,124)
<b>Profit before income tax</b>	8	<b>9,102</b>	3,924
Income tax expense	9	(4,450)	(2,746)
<b>Profit for the period</b>		<b>4,652</b>	1,178

		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
— Exchange differences on translating foreign operations			
Exchange differences arising during the period		<u>(46)</u>	<u>(15)</u>
<b>Other comprehensive income for the period</b>		<u>(46)</u>	<u>(15)</u>
<b>Total comprehensive income for the period</b>		<u><b>4,606</b></u>	<u>1,163</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share</b>			
— Basic	<i>11</i>	<u><b>0.12</b></u>	<u>0.03</u>
— Diluted		<u><b>0.10</b></u>	<u>0.03</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		927	1,274
Right-of-use assets	12	2,857	4,008
Trading rights		–	–
Goodwill		–	–
Other assets		1,705	1,705
Long-term deposit		806	806
Debt instruments held at fair value through profit or loss	15	11,690	19,797
		<b>17,985</b>	27,590
<b>Current assets</b>			
Trade and other receivables and prepayments	13	49,630	28,585
Held for trading investments	14	16,425	265
Current tax assets		–	3,105
Trust bank balances held on behalf of clients		30,063	30,262
Cash and cash equivalents		61,507	69,100
		<b>157,625</b>	131,317
<b>Current liabilities</b>			
Trade and other payables and accruals	16	49,362	41,841
Lease liabilities	12	2,588	2,432
Contract liabilities		450	450
Current tax liabilities		4,172	2,827
Convertible bonds	17	144,804	–
		<b>201,376</b>	47,550
<b>Net current (liabilities)/assets</b>		<b>(43,751)</b>	83,767
<b>Non-current liabilities</b>			
Convertible bonds	17	–	140,395
Lease liabilities	12	936	2,270
		<b>936</b>	142,665
<b>Net liabilities</b>		<b>(26,702)</b>	(31,308)
<b>EQUITY</b>			
Share capital		190,985	190,985
Reserves		(217,687)	(222,293)
<b>Capital deficiency</b>		<b>(26,702)</b>	(31,308)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 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 4/F North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, 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 condensed consolidated financial statements for the six months ended 30 June 2022 were approved for issue by the board of directors on 31 August 2022.

These condensed consolidated financial statements contain selected explanatory notes primarily an explanation of the events and changes that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiaries (together referred to as the “**Group**”) since the end of the last annual reporting period and do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021.

## 2. ADOPTION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

In the current period, the Group has applied amendments and interpretations (the “**new HKFRSs**”) which are effective for the Group’s condensed financial statements for the annual period beginning on 1 January 2022. HKFRSs include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The adoption of the following amended HKFRSs has no material impact on the Group’s condensed financial statements:

Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19 — Related Rent Concessions beyond 30 June 2021
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendments to HKFRS 9 Financial Instruments and HKFRS 16 Lease

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period.

### 3. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in compliance with HKAS 34 “Interim Financial Reporting” issued by the HKICPA and with the applicable requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. The accounting policies and methods of computation that have been used in the preparation of these condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2021, except for the adoption of new HKFRSs.

In preparing the condensed consolidated financial statements, the directors have assessed the Group’s ability to continue as a going concern in view of the Group’s net current liabilities and net liabilities of approximately HK\$43,751,000 (31 December 2021: net current assets of approximately HK\$83,767,000) and HK\$26,702,000 (31 December 2021: net liabilities of approximately HK\$31,308,000) as at 30 June 2022, respectively. In addition, as at 30 June 2022, the Group’s liabilities included convertible bonds of approximately HK\$144,804,000 (31 December 2021: HK\$140,395,000), which will be mature in May 2023. These conditions may cast significant doubt on the Group’s ability to continue as a 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:

- The substantial shareholder, Yuanyin Holdings Limited, has irrevocably undertaken that, in the absence of any event of default under the SYHL Bonds (as further defined below) and subject to the fulfilment of all the conditions precedent of conversion, it is obliged to 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. Nevertheless, the going concern of the Group is dependent upon the successful conversion of the SYHL Bonds. Accordingly, the condensed 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 condensed 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 condensed 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.

During the six months ended 30 June 2022, there were no changes from prior periods in the measurement methods used to determine operating segments, reported segment profit or loss and reported segment assets and liabilities. 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.

	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>
<b>Six months ended 30 June 2022</b>					
<b>(Unaudited)</b>					
<b>Reportable segment revenue</b>					
External customers					
— Fee and commission income	<u>26,889</u>	<u>10,884</u>	<u>—</u>	<u>4,815</u>	<u>42,588</u>
	<u>26,889</u>	<u>10,884</u>	<u>—</u>	<u>4,815</u>	<u>42,588</u>
<b>Fee and commission income from external customers</b>					
— Timing of revenue recognition					
Point in time	26,889	—	—	4,815	31,704
Over time	<u>—</u>	<u>10,884</u>	<u>—</u>	<u>—</u>	<u>10,884</u>
	<u>26,889</u>	<u>10,884</u>	<u>—</u>	<u>4,815</u>	<u>42,588</u>
— Geographical region					
Hong Kong	<u>26,889</u>	<u>10,884</u>	<u>—</u>	<u>4,815</u>	<u>42,588</u>
<b>Reportable segment result</b>	<u>23,517</u>	<u>(547)</u>	<u>(5,044)</u>	<u>90</u>	<u>18,016</u>
<b>30 June 2022 (Unaudited)</b>					
<b>Reportable segment assets</b>	<u>56,785</u>	<u>17,447</u>	<u>33,863</u>	<u>947</u>	<u>109,042</u>
<b>Reportable segment liabilities</b>	<u>30,476</u>	<u>1,496</u>	<u>8,583</u>	<u>60</u>	<u>40,615</u>

	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>
<b>Six months ended 30 June 2021</b>					
<b>(Unaudited)</b>					
<b>Reportable segment revenue</b>					
External customers					
— Fee and commission income	29	17,926	—	—	17,955
	<u>29</u>	<u>17,926</u>	<u>—</u>	<u>—</u>	<u>17,955</u>
<b>Fee and commission income from external customers</b>					
— Timing of revenue recognition					
Point in time	29	—	—	—	29
Over time	—	17,926	—	—	17,926
	<u>29</u>	<u>17,926</u>	<u>—</u>	<u>—</u>	<u>17,955</u>
— Geographical region					
Hong Kong	29	17,926	—	—	17,955
	<u>29</u>	<u>17,926</u>	<u>—</u>	<u>—</u>	<u>17,955</u>
<b>Reportable segment result</b>	<u>(3,062)</u>	<u>16,158</u>	<u>(92)</u>	<u>(92)</u>	<u>12,912</u>
<b>31 December 2021 (Audited)</b>					
<b>Reportable segment assets</b>	<u>32,033</u>	<u>25,128</u>	<u>392</u>	<u>2,783</u>	<u>60,336</u>
<b>Reportable segment liabilities</b>	<u>31,069</u>	<u>1,171</u>	<u>41</u>	<u>62</u>	<u>32,343</u>

The Group's reportable segment result is reconciled to the Group's profit before income tax as follows:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Reportable segment result	<b>18,016</b>	12,912
Other income	<b>153</b>	22
Finance costs	<b>(4,673)</b>	(3,276)
Corporate expenses**	<b>(4,394)</b>	(5,734)
Group's profit before income tax	<u><b>9,102</b></u>	<u>3,924</u>

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



## 5. REVENUE

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue from contracts with customers</b>		
<b>Fee and commission income</b>		
Securities brokerage and financial services segment:		
— Securities and futures brokerage	1,669	29
— Placing and underwriting	25,220	—
	<u>26,889</u>	<u>29</u>
Asset management services segment:		
— Fund and portfolio management and investment advisory	10,884	17,926
Trading business segment:		
— Trading of chemical products	4,815	—
	<u>42,588</u>	<u>17,955</u>

## 6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Change in fair value of debt instruments held at fair value through profit or loss	(8,107)	—
Changes in fair value of held for trading investments	579	(83)
Net foreign exchange gain	57	—
	<u>(7,471)</u>	<u>(83)</u>

## 7. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Interest income from banks and others	1	1
Interest income from debt instruments held at fair value through profit or loss ( <i>Note a</i> )	<b>1,415</b>	–
Net interest spread arising from debt instruments arrangement ( <i>Note b</i> )	<b>893</b>	–
Dividend income	<b>493</b>	–
Government grant ( <i>Note c</i> )	<b>152</b>	–
Sundry income	–	21
	<u>2,954</u>	<u>22</u>

### Notes:

- (a) It represented the interest income of listed bond carrying interest at 12.5% per annum (Note 15).
- (b) On 8 September 2021, 15 September 2021 and 16 September 2021, the Group has subscribed for certain listed bonds and a note (“**Atta Notes**”) issued by Atta Asset 4 Limited (“**Atta Asset**”) in an aggregate principal amount of US\$29,580,000 (approximately HK\$230,724,000), comprising the Group’s proprietary investment with a subscription amount of US\$2,500,000 (approximately HK\$19,500,000) and the Flourishing Fund’s Subscriptions (as further explained below). In the opinion of the Directors, the Group’s proprietary investment was financed by the Group’s internal resources while the Flourishing Fund’s Subscriptions was financed by a note of US\$27,080,000 (approximately HK\$211,224,000) carrying interest at 12.5% per annum (“**Kingwell Notes**”) issued by the Group to Flourishing Fountain Investment Limited (“**Flourishing**”), an independent third party. The Flourishing Fund’s Subscriptions comprised (i) subscription of certain listed bonds in the principal amount of US\$10,580,000 (approximately HK\$82,524,000) with coupon rate of 12.5% per annum; (ii) the subscription of certain listed bonds in the principal amount of US\$6,500,000 (approximately HK\$50,700,000) with coupon rate of 12.5% per annum and (iii) the entering into of the Atta Notes purchase agreement and the purchase of Atta Notes in the principal amount of US\$10,000,000 (approximately HK\$78,000,000) which shall pay interest of US\$740,000 semi-annually since 1 May 2022 and up to 7 May 2024 (equivalent to 14.8% per annum). Flourishing would bear the loss incurred (if any) by the Flourishing Fund’s Subscriptions pursuant to the terms of the transaction documents with respect to the Kingwell Notes.

The effect of the purchase of the Atta Notes, which is a leveraged note, by the Group with the corresponding part of the proceeds from Kingwell Notes is that the Group has facilitated an additional leverage subscription of the listed bonds as Atta Assets has also subscribed for the listed bonds for economic hedge purpose. In this respect, pursuant to the terms of the Atta Notes and the Kingwell Notes, the Group is able to earn an interest spread of approximately 2% per annum of its principal subscription amount of the Atta Notes, being the difference between its interest receivables from the Atta Notes and its interest payables under the Kingwell Notes. During the six months period ended 30 June 2022, the Group recognised a net note interest spread of US\$115,000 (approximately HK\$893,000) under other income (six months ended 30 June 2021: Nil).

Further details on the above transactions are detailed in the Company’s announcements dated on 12 August 2022.

- (c) It represented the grants under the Employment Support Scheme (“ESS”) introduced by HKSAR Government to provide financial support to employers during the period of economic uncertainty as a result of global pandemic outbreak of COVID-19. The grants were allocated over the period to match the relevant costs incurred. There were no unfulfilled and other contingencies attaching to ESS.

## 8. PROFIT BEFORE INCOME TAX

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Profit before income tax is arrived at after charging:		
Finance costs		
— Effective interest on liability component of convertible bonds	4,409	952
— Interest on lease liabilities	264	401
— Interest on loans from a related company	—	1,923
	<u>4,673</u>	<u>3,276</u>
Staff costs, including directors' emoluments		
— Fees, salaries, allowances and bonuses	6,340	4,761
— Retirement benefit scheme contributions	276	141
	<u>6,616</u>	<u>4,902</u>
Other expenses		
— Auditor's remuneration	320	290
— Entertainment and gifts	—	143
— Other professional fees	1,422	459
— System license and subscriptions	433	591
— Office expense	139	247
— Insurance expense	187	169
— Expense relating to short-term leases	—	64
— Others	1,317	1,161
	<u>3,818</u>	<u>3,124</u>

## 9. INCOME TAX EXPENSE

For the six months ended 30 June 2022 and 30 June 2021, Hong Kong profits tax was calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered 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-tiered profits tax rates regime are taxed at a flat rate of 16.5%.

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Current tax — Hong Kong profits tax</b>		
— Provision for current period	<u>4,450</u>	<u>2,746</u>

## 10. DIVIDENDS

No dividend was proposed or paid during the six months ended 30 June 2022 and 2021, nor has any dividend been proposed since the end of the reporting periods.

## 11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$4,652,000 (six months ended 30 June 2021: HK\$1,178,000) and the weighted average number of 3,819,705,413 (six months ended 30 June 2021: 3,819,705,413) ordinary shares in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to owners of the Company, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the six months ended 30 June 2022, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic earnings per share calculation:	4,652	1,178
Effect of dilution — interest on convertible bonds	<u>4,409</u>	<u>—</u>
Profit attributable to owners of the Company for the purpose of calculating diluted earnings per share	<u>9,061</u>	<u>1,178</u>

	<b>Number of shares</b>	
	<b>2022</b>	2021
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>3,819,705,413</b>	3,819,705,413
Effect of dilution — weighted average number of ordinary shares — Convertible bonds	<u><b>5,000,000,000</b></u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u><b>8,819,705,413</b></u>	<u>3,819,705,413</u>

For the six months ended 30 June 2021, the computation of diluted earnings per share did not assume the exercise or conversion of convertible bonds as the exercise or conversion of convertible bonds was anti-dilutive.

## 12. LEASE

### Right-of-use assets

As at 30 June 2022, the carrying amounts of right-of-use assets was approximately HK\$2,857,000 (As at 31 December 2021: approximately HK\$4,008,000) in respect of a number of leased office properties which it operates.

During the six months ended 30 June 2022, the Group did not enter into nor renewed any lease agreement and as of that date, none of the leases contain variable lease payments.

### Lease liabilities

As at 30 June 2022, the carrying amount of lease liabilities was approximately HK\$3,524,000 (As at 31 December 2021: approximately HK\$4,702,000).

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Depreciation expense of right-of-use assets	<b>1,151</b>	1,151
Interest on lease liabilities ( <i>Note 8</i> )	<b>264</b>	401
Expense relating to short-term leases	<u>—</u>	<u>64</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 six months ended 30 June 2022 was approximately HK\$1,442,000 (six months ended 30 June 2021: approximately HK\$1,440,000).

### 13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Trade receivables	52,025	29,555
Less: Loss allowances	<u>(11,039)</u>	<u>(3,532)</u>
	<b>40,986</b>	26,023
Other receivables and prepayments	8,784	2,562
Less: Loss allowances	<u>(140)</u>	<u>–</u>
	<b>8,644</b>	2,562
	<b>49,630</b>	<b>28,585</b>

The analysis of trade receivables is as follows:

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Arising from the business of dealing in securities and futures contracts — Hong Kong Securities Clearing Company Limited (“HKSCC”) (Note a)	8	8
Arising from asset management services (Note a and b)	26,797	27,866
Arising from underwriting and placing services (Note a and b)	25,220	–
Arising from trading of chemical products (Note b)	–	1,681
Less: Loss allowances	<u>(11,039)</u>	<u>(3,532)</u>
	<b>40,986</b>	<b>26,023</b>

Notes:

- (a) 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 amounts due from HKSCC are repayable on demand subsequent to the settlement date and bear interest at Hong Kong Dollar Prime Rate plus a spread of 3% (2021: 3%) per annum.

Settlement of amounts arising from asset management services and 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.

- (b) The following table provides information about the exposure to credit risk for gross amounts arising from asset management services, securities brokerage and financial services and trading business:

	<b>30 June 2022</b>	31 December 2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Gross amount		
Not yet past due	<b>3,078</b>	7,488
0–30 days past due	<b>1,808</b>	2,010
31–60 days past due	<b>11,054</b>	328
61–90 days past due	<b>16,711</b>	1,974
91–180 days past due	<b>3,631</b>	5,974
181–365 days past due	<b>6,311</b>	8,889
Over 365 days past due	<b>4,524</b>	2,884
Individual assessed for a specific debtor	<b>4,900</b>	–
	<b>52,017</b>	29,547

#### 14. HELD FOR TRADING INVESTMENTS

	<b>30 June 2022</b>	31 December 2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Listed equity securities	<b>16,425</b>	265

#### 15. DEBT INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June 2022</b>	31 December 2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Listed debt securities issued by corporate entities ( <i>Note</i> )	<b>11,690</b>	19,797

*Note:* During the year ended 31 December 2021, the Company made subscription in a listed bond amounting to US\$2,500,000 (equivalent to HK\$19,527,000). The listed bond carries interest at 12.5% per annum and with maturity date falls in April 2024. In the opinion of the directors of the Company, the debt instrument is for long-term strategic purposes and not intended to be disposed of in near future. The fair value loss on the debt instruments of approximately HK\$8,107,000 has been recognised in “Other gains and losses” during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

## 16. TRADE AND OTHER PAYABLES AND ACCRUALS

	<b>30 June 2022</b>	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Trade payables arising from the business of dealing in securities and futures contracts		
— Cash clients	<b>29,546</b>	30,202
— Margin clients	<b>37</b>	66
	<b>29,583</b>	30,268
Other payables	<b>18,740</b>	9,083
Accruals	<b>1,039</b>	2,490
	<b>49,362</b>	41,841

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.

## 17. CONVERTIBLE BONDS

Pursuant to subscription agreements entered into by the Company on 1 April 2021, the Company issued convertible bonds with principal amount of HK\$150,000,000 (“**SYHL Bonds**”), to Yuanyin Holdings Limited, a substantial shareholder of the Company, on 21 May 2021. The maturity date of the SYHL Bonds is the date falling its two years from the date of issue. Part of proceeds from the issue of convertible bonds was used to settle a borrowing of principal amount of HK\$99,800,000 from Yuanyin Finance Limited, a subsidiary of Yuanyin Holdings Limited. The SYHL Bonds entitled the holder to convert them into ordinary shares of the Company at an initial conversion price of HK\$0.03 per share of the Company at any time before the second anniversary date of the date of the issuance of SYHL Bonds (“**SYHL Bonds Maturity Date**”) and bear interests at 1% per annum. Unless previously redeemed, converted or cancelled, the Company has to redeem each SYHL Bonds on the SYHL Bonds Maturity Date at 100% of the outstanding principal amount, together with accrued interest, if any.

Based on the terms of the subscription agreement, the SYHL Bonds contain two components, (i) the liability and (ii) the equity conversion components. The fair value of the liability component of SYHL Bonds upon the issuance was calculated at the present value of the estimated coupon interest payments and principal amount. The discount rate used in the calculation is 6%, representing the cost of debt applicable to the Company for a similar bond without conversion option at the issue date.



The movements of the components of SYHL Bonds during the period are set out below:

	<b>Liability component</b> <i>HK\$'000</i>	<b>Equity conversion component</b> <i>HK\$'000</i>
<b>At 1 January 2021 (Audited)</b>	–	–
Issued during the period	135,092	14,808
Effective interest recognised ( <i>Note 8</i> )	952	–
	<hr/>	<hr/>
<b>At 30 June 2021 (Unaudited)</b>	136,044	14,808
Effective interest recognised	4,351	–
	<hr/>	<hr/>
<b>At 31 December 2021 (Audited)</b>	<b>140,395</b>	<b>14,808</b>
Effective interest recognised ( <i>Note 8</i> )	<b>4,409</b>	–
	<hr/>	<hr/>
<b>At 30 June 2022 (Unaudited)</b>	<b>144,804</b>	<b>14,808</b>
	<hr/> <hr/>	<hr/> <hr/>

The coupon interest of HK\$1,500,000 was due on 20 May 2022 and was not paid to Yuanyin Holdings Limited. This constituted an event of default of the convertible bonds according to the terms of the subscription agreement. Subsequent to the reporting date, the Company has obtained an undertaking letter from bondholder, which agreed to waive the event of default associated with the Company's failure to repay the coupon interest while at the same time, the Company is required to accrue the unpaid interest until the maturity date of the convertible bonds, or on the date of conversion, whichever comes first.

## 18. EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, the Company proposed to implement the reduction of the issued share capital of the Company by reducing the par value of each issued existing share of the Company (“**Existing Share**”) from HK\$0.05 to HK\$0.01 by way of a cancellation of the paid-up capital to the extent of HK\$0.04 on each issued Existing Share so that Existing Share will be treated as one fully paid-up share of par value of HK\$0.01 in the share capital of the Company (“**Capital Reduction**”). The credit arising from the Capital Reduction will be credited to the contributed surplus account of the Company within the meaning of the Companies Act.

Immediately following the Capital Reduction, each of the authorised but unissued Existing Share of par value of HK\$0.05 each will be sub-divided into five shares of par value of HK\$0.01 each (“**Adjusted Shares**”).

The Company further proposes that immediately following the Capital Reduction becoming effective, the proposed consolidation of every ten (10) issued and unissued Adjusted Shares of par value of HK\$0.01 each in the share capital of the Company will be consolidated into one (1) consolidated share of par value of HK\$0.10 each.

Further details on the above are detailed in the Company's announcement dated 24 August 2022 and Company's circular dated 31 August 2022.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business and Financial Review**

#### *Financial Summary*

The COVID-19 has affected the Group's revenue to a certain extent. However, despite that various projects being postponed under COVID-19, for the six months ended 30 June 2022, the Group recorded revenue of approximately HK\$42.6 million, representing 137% increase as compared with approximately HK\$18.0 million for the six months ended 30 June 2021.

Profit for the six months ended 30 June 2022 was approximately HK\$4.7 million, representing 295% increase as compared with profit of approximately HK\$1.2 million for the same period in 2021. Such increase in profit is primarily attributable to increases in revenue source, partially offset by other gains and losses as well as impairment losses on trade and other receivables for the first half of 2022. Basic and diluted profit per share for the first half of 2022 are approximately 0.12 cents and 0.10 cents, respective, compared with 0.03 cents and 0.03 cents of profit per share for the same period of 2021.

#### *Operation of Business Segments — Securities Brokerage and Financial Services*

The Group provides securities brokerage and financial services via two of its subsidiaries, Sheng Yuan Securities Limited (“**SYS**”) and Sheng Yuan Capital (Hong Kong) Limited (“**SYC**”).

SYS is licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (“**SFO**”). Through SYS, the Group provides underwriting and placing services in equity and debt capital transactions, securities and futures brokerage services for securities, futures and options contracts, margin financing services, and custodian and handling services for client accounts on securities, futures, and options contracts. The fee and commission are based on certain percentage of the total transaction amounts.

As at 30 June 2022, SYS had a total number of 5 employees. 2 employees are licensed as responsible officers to conduct Type 1, Type 2, and Type 4 regulated activities. 1 employee is licensed as responsible officer to conduct Type 1 and Type 4 regulated activities. 1 employee is licensed as responsible officer to conduct Type 1 and Type 4 regulated activities and as representative to conduct both Type 2 and Type 9 regulated activities. As at 30 June 2022, SYS maintained 627 client accounts, which is largely unchanged compared to the number of client accounts as at 30 June 2021. There was approximately HK\$30.1 million in client trust bank accounts, representing a 0.7% decrease from HK\$30.3 million as at 31 December 2021. Such decrease was mainly due to clients withdrawals.

SYC is licensed to conduct Type 6 (advising on corporate finance) regulated activities under the SFO. SYC provides corporate advisory services, for a fee, to corporate clients for their corporate actions to ensure clients' compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Codes on Takeovers and Mergers and Share Buy-backs. Such corporate actions include initial public offerings, placing of shares and other securities, mergers and acquisitions, and business restructuring, etc.

As at 30 June 2022, SYC had 2 employees, who are both licensed as responsible officer to conduct Type 6 (advising on corporate finance) regulated activities under the SFO.

### ***Operation of Business Segments — Asset Management***

The Group provides asset management services via two of the Group's subsidiaries, Sheng Yuan Asset Management Limited ("**SYAM**") and Sheng Yuan Sino Asset Management Limited ("**SYSAM**"). Both SYAM and SYSAM are licensed to conduct Type 4 and Type 9 (asset management) regulated activities under the SFO. Via these two subsidiaries, the Group provides investment recommendations to clients on securities trading or portfolio management as an investment advisor, as well as investment management services for funds or discretionary accounts. The Group would charge a fixed rate management fee calculated based on value of the net assets within the funds or discretionary accounts, as well as a performance fee calculated based on increase in value of the net assets within the funds or discretionary accounts.

As at 30 June 2022, the asset management segment had 5 employees, 4 employees employed by SYAM. 1 employee employed by SYSAM. 3 are licensed as responsible officers, and 2 as representatives. All responsible officers and representatives at SYAM and SYSAM are licensed to conduct Type 4 and Type 9 regulated activities under SFO.

As at 30 June 2022, SYAM acted as the fund manager or investment adviser for 1 fund and 3 discretionary accounts, and also engaged in advisory agreement with 2 clients (30 June 2021: 1 funds and 3 discretionary accounts). The total assets under management (the “AUM”) of SYAM remained unchanged.

### ***Operation of Business Segments — Proprietary Trading***

For proprietary trading business, Sheng Yuan Financial Services Group Limited (“SYFS”) and Kingwell Management Limited (“Kingwell”) mainly invests in the listed shares, corporate bonds, and private funds in Hong Kong market. During the six months ended 30 June 2022, the segment reported loss of approximately HK\$5.04 million on proprietary trading (six months ended 30 June 2021: HK\$0.09 million loss).

### ***Operation of Business Segments — Product Trading***

As the Group focuses on the development of financial services business and the recovery of commodity market remains slow, the Group also tried to resume its trading business during the year to expand and diversify its source of revenue. During the six months ended 30 June 2022, the segment achieved a profit of approximately HK\$0.09 million (2021: loss of approximately HK\$0.09 million).

### **Prospects and Future Plans**

Enterprises in mainland China have contributed tremendously to China’s economic growth over the past four decades of economic reform and opening up, nurturing high net worth individuals (“HNWI”) and even ultra-high net worth individuals (“UHNWI”) in a steady stream, and will continue to assume a significant role in the current round of economic transformation into a new economy driven by innovation and entrepreneurship. However, enterprises are still experiencing difficult times in getting sufficient funding in the onshore market. HNWI and UHNWI in mainland China are still facing limitations on global asset allocation. Meanwhile, Hong Kong, with its unique advantages of having mainland China as hinterland as well as of its extensive global network, is well recognized as the world’s premier international financial center. Compared to the mainland China market, Hong Kong market offers more certainty of timing and valuation, and reach to quality assets and investors around the world. The city has been the largest offshore funding center in bond financing and equity financing for enterprises from mainland China, as well as the top destination for Chinese HNWI and UHNWI when it comes to global asset allocation.

Looking forward to the second half of 2022, the market conditions for Hong Kong remain uncertain and continue to face new challenges. COVID-19 still brings negative impact weighing on the economy of Hong Kong, and further deterring investors. Since the outbreak of COVID-19, certain measures were undertaken by the governments including but not limited to implementation of business and travel restrictions. The Group will keep continuous attention on the change of situation and make timely responses and adjustments in the future. So far, COVID-19 already resulted in unfavorable investment sentiment, weighing on the Hong Kong and mainland China economies, and further deterring investors, changing monetary policies among major economies and causing economic downturn in emerging markets. Despite of the abovementioned factors, and as proved by our interim results, the Directors are positive to that the Group could conquer such material uncertainties and adverse effects on the overall business of our Group with the weak economic conditions in Hong Kong and mainland China. To cope with the challenging environments, the Group will continue to evaluate development opportunities to strengthen our competitive advantage through deploying more resources for seizing this market potential and broaden its revenue so as to generate value for shareholders of the Company (the “**Shareholders**”). The Directors are confident to achieve sustainable growth in the second half of 2022 and bring greater returns to our Shareholders.

In such context, the Group has formulated plans to further expand its existing business operations. Licensed by Securities and Futures Commission, the Group provides one-stop financial services to enterprises as well as HNWI and UHNWI from mainland China, including investment banking and asset management. Through our unique network, the Group will be focusing on providing investment banking services to regional financial institutions, investment platform of both provincial and local governments, and regional leading real estate companies, to connect such enterprises with global funds via Hong Kong market, through either bond financing or equity financing. With potential access to HNWI and UHNWI through our partners, the Group will launch various funds in second half of 2022 to address the demand of oversea investment opportunities from mainland China financial institution, as well as to address the needs for global asset allocation from HNWI and UHNWI from mainland China.

The Group will step up its efforts in funds management and discretionary accounts management services, establish additional funds of various types, develop more financial products and expand its customer base to keep abreast of the market trends by focusing on high-valued customers and potential professional investor groups. In addition, the Group will continue to expand its financial consultancy businesses including corporate finance advisory services and mergers and acquisitions transactions. Further, management has also taken active steps to obtain additional financial resources to provide sufficient liquid capital to resume the Group’s underwriting business and to provide additional capital for future expansion of its underwriting and other businesses.

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.

### **Acquisitions and Disposals**

There was no material acquisition and disposal during the six months ended 30 June 2022.

### **Liquidity and Financial Resources**

As at 30 June 2022, cash and bank balances in general accounts maintained by the Group were approximately HK\$61.5 million, representing an decrease of approximately 11% from approximately HK\$69.1 million as at 31 December 2021. Such cash and bank balances are mainly held in Hong Kong dollars, United States dollars (“**USD**”) and Renminbi (“**RMB**”). Balances in trust and segregated accounts as at 30 June 2022 were approximately HK\$30.1 million (31 December 2021: HK\$30.3 million).

Trade and other receivables, prepayments, and trust bank balances held on behalf of clients were approximately HK\$79.7 million as at 30 June 2022 (31 December 2021: HK\$58.8 million). Such increase was due to increases in trade receivables. Trade and other payables and accruals were approximately HK\$49.4 million as at 30 June 2022 (31 December 2021: HK\$41.8 million), as a result of the increase in payables related to debt instruments arrangement.

The Group’s current assets and current liabilities as at 30 June 2022 were approximately HK\$157.6 million (31 December 2021: HK\$131.3 million) and HK\$201.4 million (31 December 2021: HK\$47.6million) respectively. The borrowings as at 30 June 2022 were valued at approximately HK\$144.8 million in the form of convertible bonds (31 December 2021: HK\$140.4 million). The majority of the Group’s borrowings are denominated in Hong Kong dollars and at fixed interest rates. The gearing ratio of the Group, measured as total debts to total assets, was approximately 82% as at 30 June 2022 (31 December 2021: 88%). The decrease was primarily due to the increase in trading investments held by the Group and trade and other receivables and prepayments. As at 30 June 2022, the Group recorded net liabilities of approximately HK\$26.7 million (31 December 2021: net liabilities of approximately HK\$31.3 million) primarily as a result of positive business operations during 2021 as well as the first half of 2022. During the period ended 30 June 2022, the Group financed its operations with internally generated cash flow and funds from the convertible bonds.

## **Foreign Exchange Exposure**

The Group's transactions are mainly denominated in Hong Kong dollars, USD and 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, taking into account of its future financial obligations and commitments. The capital structure of the Group comprises issued share capital and reserves attributable to Shareholders. The Directors will review the Group's capital structure regularly. There is no change in capital structure during the period.

## **Funding and Treasury Policies**

The Group adopts a conservative approach for cash management and investment on uncommitted funds. The Group places cash and cash equivalents (which are mostly held in Hong Kong dollars, USD and RMB) in short term deposits with authorized institutions in Hong Kong.

## **Contingent Liabilities**

As at 30 June 2022, the Group did not have any material contingent liabilities.

## **Pledge of Assets**

As at 30 June 2022, the Group did not have any pledged assets.

## **Human Resources**

As at 30 June 2022, the Group employed 23 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.

## SHARE OPTIONS

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 15 October 2014, the Company adopted a new share option scheme (the “**2014 Scheme**”), the purpose of which is to enable the Group to grant share options to the eligible participants as incentives or rewards for their contribution to the Group. No share option has been granted under the 2014 Scheme during the six months ended 30 June 2022.

## USE OF PROCEEDS FROM THE COMPANY’S ISSUANCE OF CONVERTIBLE BONDS

On 21 May 2021, the Company has issued the convertible bonds (the “**SYHL Bonds**”) in the aggregate principal amount of HK\$150.0 million to Yuanyin Holdings Limited. For details of the SYHL Bonds, please refer to the circular of the Company dated 29 April 2021 and the announcement of the Company dated 21 May 2021.

The net proceeds from the issuance of the SYHL Bonds, after deduction of expenses, are approximately HK\$149.8 million<sup>#</sup>; and the net cash proceeds are approximately HK\$50.1 million<sup>#</sup> after the application of HK\$99.8 million to set off against the principal amount of the Shareholder’s loan owed by the Group to Yuanyin Finance Limited (a wholly-owned subsidiary of Yuanyin Holdings Limited, the subscriber of the SYHL Bonds).

The below table sets out the proposed and actual applications of the net proceeds up to 30 June 2022:

<b>Use of net proceeds</b>	<b>Planned use of net proceeds</b> <i>(HK\$ million)</i>	<b>Net proceeds utilised up to 31 December 2021</b> <i>(HK\$ million)</i>	<b>Unutilised amount as at 30 June 2022</b> <i>(HK\$ million)</i>
Set off against the principal amount of the Shareholder’s loan owed by the Group to Yuanyin Finance Limited	99.8	99.8	nil
Replenishment of the liquid capital of Sheng Yuan Securities Limited	50.1 <sup>#</sup>	50.1 <sup>#</sup>	nil
<b>Total</b>	<b>149.8<sup>#</sup></b>	<b>149.8<sup>#</sup></b>	<b>nil</b>



*Note:*

# The figures have been subject to rounding adjustments. The discrepancies between the totals and sums of amount listed herein are due to rounding adjustment.

As disclosed above, the net proceeds raised by the Company from the issuance of the SYHL Bonds were utilized in accordance with the intentions previously disclosed by the Company, and there was no material change or delay in the use of proceeds.

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

During the six months ended 30 June 2022, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Company is committed to maintain high standard of corporate governance and procedures to safeguard the interests of all Shareholders and to enhance accountability and transparency. The Company has complied with the code provisions set out in Part 2 of the Corporate Governance code of Appendix 14 of the Listing Rules during the six months ended 30 June 2022 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 Zilei was appointed as an executive Director, the Chairman of the Board (the “**Chairman**”) and CEO with effect from 29 October 2021 and he resigned from all those positions on 19 May 2022. During the period, all major decisions were made in consultation with the Board members and the senior management of the Company and there were 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.

On 20 May 2022, Mr. Ma Baojun was appointed as a non-executive Director and the Chairman of the Board. On the same day, Mr. Zhao Yun, an executive Director, was re-designated as CEO. The Company since then is in compliance with the code provision C.2.1.

## **AUDIT COMMITTEE**

The audit committee of the Company currently comprises Ms. Huang Qin (Chairman), Mr. Zhang Jinfan, and Mr. Huang Shuanggang, all of whom are non-executive Directors (independent for Ms. Huang and Mr. Zhang) with appropriate professional qualifications and experience in financial matters. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters. The interim results and the unaudited financial statements for the six months ended 30 June 2022 have been reviewed by the audit committee.

## **REMUNERATION COMMITTEE**

The remuneration committee of the Company is responsible for making recommendations to the Board on the Company's policy and packages of employment for the Directors and senior management. It comprises three independent non-executive Directors. The present members are Mr. Zhang Jinfan (Chairman), Ms. Wen Han Qiuzi and Ms. Huang Qin.

## **NOMINATION COMMITTEE**

The nomination committee of the Company is required, amongst other things, to review the structure, size and composition of the Board and make recommendations for changes as necessary, to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships, to assess the independence of independent non-executive Directors, and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer. It comprises one non-executive Director and two independent non-executive Directors. The present members are Mr. Ma Baojun (Chairman), Mr. Zhang Jinfan and Ms. Wen Han Qiuzi.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 (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 six months ended 30 June 2022.

## **EXTRACT OF REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT**

### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

### **EMPHASIS OF MATTER — MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**

Without qualifying our conclusion, we draw attention to note 3 to the interim condensed consolidated financial statements, which indicates that the Group had net current liabilities of approximately HK\$43,751,000 and net liabilities of approximately HK\$26,702,000 as at 30 June 2022. These conditions, along with other matters as set forth in note 3, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

### **BOARD OF DIRECTORS**

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

By order of the Board  
**Sheng Yuan Holdings Limited**  
**Zhou Quan**  
*Executive Director*

Hong Kong, 31 August 2022