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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 2022**

The board of directors (the “**Directors**”, collectively referred to as the “**Board**”) of Sheng Yuan Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces the consolidated results of the Group for the year ended 31 December 2022 (the “**Reporting Period**”) together with the comparative figures for the corresponding year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	5	59,940	43,306
Other gains and losses	6	(7,030)	1,199
Other income	7	7,158	272
Purchase of inventories for trading business		(11,283)	(1,660)
Staff costs	9	(11,246)	(10,797)
Depreciation		(2,997)	(3,005)
Finance costs	8	(9,445)	(7,962)
Other expenses		(14,257)	(7,907)
Loss allowances on trade receivables		(14,521)	(3,088)
(Loss)/Profit before income tax	9	(3,681)	10,358
Income tax expense	10	(2,121)	(5,708)
(Loss)/Profit for the year		(5,802)	4,650
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		(46)	(4)
Other comprehensive income for the year		(46)	(4)
Total comprehensive income for the year		(5,848)	4,646
		<i>HK cents</i>	<i>HK cents</i> (Restated)
(Loss)/Earnings per share	12		
— Basic		(1.52)	1.22
— Diluted		(1.52)	1.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		579	1,274
Right-of-use assets	<i>16</i>	1,706	4,008
Trading rights		–	–
Goodwill		–	–
Other assets		1,705	1,705
Long-term deposit		–	806
Debt instruments held at fair value through profit or loss (“FVTPL”)		11,989	19,797
		15,979	27,590
Current assets			
Trade and other receivables, deposits and prepayments	<i>13</i>	18,021	28,585
Held for trading investments	<i>14</i>	15,936	265
Current tax assets		2,442	3,105
Trust bank balances held on behalf of clients		82,381	30,262
Cash and cash equivalents		79,929	69,100
		198,709	131,317

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current liabilities			
Trade and other payables and accruals	<i>15</i>	99,673	41,841
Lease liabilities	<i>16</i>	2,270	2,432
Contract liabilities		513	450
Current tax liabilities		–	2,827
Convertible bonds		149,388	–
		<u>251,844</u>	<u>47,550</u>
Net current (liabilities)/assets		<u>(53,135)</u>	<u>83,767</u>
Non-current liabilities			
Convertible bonds		–	140,395
Lease liabilities	<i>16</i>	–	2,270
		<u>–</u>	<u>142,665</u>
Net liabilities		<u>(37,156)</u>	<u>(31,308)</u>
EQUITY			
Share capital		38,197	190,985
Reserves		(75,353)	(222,293)
Capital deficiency		<u>(37,156)</u>	<u>(31,308)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 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 consolidated financial statements for the year ended 31 December 2022 were approved for issue by the board of directors on 22 March 2023.

2. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

2.1 Amended HKFRSs effective for annual period beginning on or after 1 January 2022

The Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) has issued a number of 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 HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKFRSs 2018 — 2020	Amendments to HKFRS 1 First-time Adoption of HKFRSs, HKFRS 9 Financial Instruments, HKFRS 16 Lease and HKAS 41 Agriculture
Amendment to HKFRS 3	Reference to Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

The adoption of amended HKFRSs has no material impact on the Group’s consolidated 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 consolidated 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 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the “ 2020 Amendments ”) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants (the “ 2022 Amendments ”) ^{2,3}

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

² Effective for annual periods beginning on or after 1 January 2024

³ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

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 consolidated financial statements.

3. BASIS OF PREPARATION

During the year ended 31 December 2022, the Group incurred a loss of approximately HK\$6 million and as of that date, had net current liabilities and net liabilities of approximately HK\$53 million and HK\$37 million respectively and 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 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 the following into consideration:

- 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 is obliged to exercise its conversion rights to convert all of the SYHL Bonds to conversion shares before the end of the conversion period. Subsequent to year end date, the Company received a notice from Yuanyin Holdings Limited of its intention to exercise the conversion rights in respect of the SYHL Bonds in full, subject to the conversion conditions including inter alia regulatory and shareholder's approval as stipulated in the terms and conditions of the SYHL Bonds;
- In the event that the conversion of shares is not completed during the conversion period of the SYHL Bonds, Yuanyin Holding Limited agrees to extend the subscription agreement of SYHL Bonds for another two years with all other clauses remain unchanged; 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. Nevertheless, 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 as current assets. 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.

2022	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	27,666	20,823	–	–	48,489
— Trading of chemical products	–	–	–	11,451	11,451
	<u>27,666</u>	<u>20,823</u>	<u>–</u>	<u>11,451</u>	<u>59,940</u>
Revenue from external customers					
— Timing of revenue recognition					
Point in time	27,386	–	–	11,451	38,837
Over time	280	20,823	–	–	21,103
	<u>27,666</u>	<u>20,823</u>	<u>–</u>	<u>11,451</u>	<u>59,940</u>
— Geographical region					
Hong Kong	<u>27,666</u>	<u>20,823</u>	<u>–</u>	<u>11,451</u>	<u>59,940</u>
Reportable segment result	<u>18,587</u>	<u>6,196</u>	<u>(2,022)</u>	<u>141</u>	<u>22,902</u>
Loss allowances on trade receivables					
	4,785	9,736	–	–	14,521
Fair value gain on held for trading investments					
	–	–	150	–	150
Changes in fair value of debt instruments held at FVTPL					
	–	–	(7,410)	–	(7,410)
Interest income from banks and others					
	1,205	7	–	–	1,212
Reportable segment assets	<u>83,027</u>	<u>11,495</u>	<u>29,856</u>	<u>61</u>	<u>124,439</u>
Reportable segment liabilities	<u>82,883</u>	<u>712</u>	<u>6,849</u>	<u>60</u>	<u>90,504</u>

2021	Securities brokerage and financial services <i>HK\$'000</i>	Asset management services <i>HK\$'000</i>	Proprietary trading <i>HK\$'000</i> (Re-presented)	Trading business <i>HK\$'000</i>	Total <i>HK\$'000</i> (Re-presented)
Reportable segment revenue					
External customers					
— Fee and commission income	12,268	29,357	—	—	41,625
— Trading of chemical products	—	—	—	1,681	1,681
	<u>12,268</u>	<u>29,357</u>	<u>—</u>	<u>1,681</u>	<u>43,306</u>
Revenue from external customers					
— Timing of revenue recognition					
Point in time	12,268	—	—	1,681	13,949
Over time	—	29,357	—	—	29,357
	<u>12,268</u>	<u>29,357</u>	<u>—</u>	<u>1,681</u>	<u>43,306</u>
— Geographical region					
Hong Kong	<u>12,268</u>	<u>29,357</u>	<u>—</u>	<u>1,681</u>	<u>43,306</u>
Reportable segment result	<u>6,105</u>	<u>22,346</u>	<u>1,061</u>	<u>(199)</u>	<u>29,313</u>
Loss allowances on trade receivables	(303)	3,391	—	—	3,088
Fair value gain on held for trading investments	—	—	1,071	—	1,071
Change in fair value of debt instruments held at FVTPL	—	—	270	—	270
Reportable segment assets	<u>32,033</u>	<u>25,128</u>	<u>21,481</u>	<u>2,783</u>	<u>81,425</u>
Reportable segment liabilities	<u>31,069</u>	<u>1,171</u>	<u>41</u>	<u>62</u>	<u>32,343</u>

Following the change of the regular internal financial information reported to the executive directors, certain comparative figures on the measurement of the segment assets have been represented to conform the current year's presentation.

The measurement policies of the Group uses for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs, except that certain other income; directors' emoluments; interest expenses on 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.

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 current tax liabilities and convertible bonds. 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 consolidated financial statements as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Reportable segment revenue	<u>59,940</u>	<u>43,306</u>
Group's revenue	<u><u>59,940</u></u>	<u><u>43,306</u></u>
Reportable segment result	22,902	29,313
Other income	729	272
Finance costs	(9,445)	(7,962)
Corporate expenses**	<u>(17,867)</u>	<u>(11,265)</u>
Group's (loss)/profit before income tax	<u><u>(3,681)</u></u>	<u><u>10,358</u></u>

	2022 HK\$'000	2021 <i>HK\$'000</i> (Re-presented)
Reportable segment assets	124,439	81,425
Current tax assets	2,442	3,105
Cash and cash equivalents	79,929	69,100
Corporate assets	7,878	5,277
	<u> </u>	<u> </u>
Group's assets	214,688	158,907
	<u> </u>	<u> </u>
Reportable segment liabilities	90,504	32,343
Convertible bonds	149,388	140,395
Current tax liabilities	–	2,827
Corporate liabilities	11,952	14,650
	<u> </u>	<u> </u>
Group's liabilities	251,844	190,215
	<u> </u>	<u> </u>

	Reportable		Unallocated		Consolidated	
	segment total					
	2022	2021	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other material items						
Depreciation and amortisation	–	–	2,997	3,005	2,997	3,005
Finance costs	–	–	9,445	7,962	9,445	7,962
	<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		Non-current assets*	
	external customers			
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (domicile) [#]	59,940	43,306	2,285	5,282
	<u> </u>	<u> </u>	<u> </u>	<u> </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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A <i>(note i)</i>	9,926	N/A
Customer B <i>(note ii)</i>	9,161	N/A
Customer C <i>(note ii)</i>	–	9,782
Customer D <i>(note iii)</i>	10,000	10,000
Customer E <i>(note iii)</i>	6,616	6,700
Customer F <i>(note iii)</i>	–	5,000
Customer G <i>(note ii)</i>	5,820	–
Customer H <i>(note ii)</i>	5,820	–

Notes:

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

5. REVENUE

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Securities brokerage and financial services segment:		
— Securities and futures brokerage	1,442	61
— Underwriting and placing	25,944	12,207
— Custodian fee	280	–
	27,666	12,268
Asset management services segment:		
— Fund and portfolio management and investment advisory	20,823	29,357
Trading business segment:		
— Trading of chemical products	11,451	1,681
Total	59,940	43,306

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables (<i>Note 13</i>)	13,949	26,023
Contract liabilities	513	450

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Change in fair value of debt instruments held at FVTPL	(7,410)	270
Changes in fair value of held for trading investments	150	1,071
Net foreign exchange gains/(losses)	222	(142)
Other	8	–
	(7,030)	1,199

7. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income from banks and others	1,223	2
Interest income from debt instruments (<i>note a</i>)	2,648	–
Interest spread arising from debt instruments arrangement (<i>note b</i>)	1,785	–
Dividend income from equity instrument	784	–
Government subsidiaries (<i>note c</i>)	456	–
Sundry income	262	270
	7,158	272

Notes:

- (a) It represented the interest income of listed bond carrying interest at 12.5% per annum.
- (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 semiannually 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 year ended 31 December 2022, the Group recognised a net note interest spread of US\$230,000 (approximately HK\$1,785,000) under other income (2021: Nil).

Further details on the above transactions are detailed in the Company’s announcement dated 12 August 2022 and the Company’s circular dated 30 November 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. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Effective interest on liability component of convertible bonds	8,993	5,303
Interest on loans from a shareholder	–	1,923
Interest on lease liabilities (<i>note 16</i>)	452	736
	<u>9,445</u>	<u>7,962</u>

9. (LOSS)/PROFIT BEFORE INCOME TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/Profit before income tax is arrived at after charging:		
Auditor's remuneration	1,965	1,390
Expense relating to short-term leases	105	101
Staff costs, including directors' emoluments		
— Fees, salaries, allowances and bonuses	10,928	10,459
— Retirement benefit scheme contributions	318	338
	<u>11,246</u>	<u>10,797</u>

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%.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax — Hong Kong profits tax		
— Provision for current year	2,002	5,380
— Under provision in respect of prior years	119	328
	<u>2,121</u>	<u>5,708</u>
Total income tax expense	<u>2,121</u>	<u>5,708</u>

11. DIVIDENDS

No dividend was proposed or paid during the years ended 31 December 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

12. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss (2021: profit) attributable to owners of the Company of approximately HK\$5,802,000 (2021: HK\$4,650,000) and the weighted average number of 381,970,541 (2021: 381,970,541 (restated)) ordinary shares in issue during the year.

For the year ended 31 December 2022 and 2021, the weighted average number of ordinary shares has been adjusted for the effect of the capital reorganisation.

Diluted basic (loss)/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 did 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 2022

The computation of diluted loss per share did not assume the exercise or conversion of convertible bonds as the exercise or conversion of these bonds as it would result in a decrease in loss per share.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022	2021
	HK\$'000	HK\$'000
Trade receivables	13,949	26,023
Prepayments	365	1,869
Other receivables and deposits	3,707	693
	18,021	28,585

The analysis of trade receivables is as follows:

	2022	2021
	HK\$'000	HK\$'000
Arising from the business of dealing in securities and futures contracts		
— Hong Kong Securities Clearing Company Limited (“HKSCC”)	—	8
Arising from asset management services	23,809	27,866
Arising from underwriting and placing services	8,000	—
Arising from custodian services	193	—
Arising from trading of chemical products	—	1,681
	32,002	29,547
Less: Loss allowances	(18,053)	(3,532)
	13,949	26,023

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 5% (2021: Hong Kong Dollar Prime Rate plus a spread of 3%) per annum. The amounts due from HKSCC are repayable on demand except for the required margin deposits for the trading of futures contracts.

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.

At 31 December 2021, amount due from HKSCC represents unsettled trade transacted on the last two business days prior to the end of the reporting period. 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 2022 <i>HK\$'000</i>	31 December 2021 <i>HK\$'000</i>
Not yet past due	3,559	7,488
0–30 days past due	1,805	2,010
31–60 days past due	1,802	328
61–90 days past due	1,383	1,974
91–180 days past due	2,731	5,974
181–270 days past due	9,072	8,889
271–365 days past due	766	–
Over 365 days past due	10,884	2,884
	<u>32,002</u>	<u>29,547</u>

14. HELD FOR TRADING INVESTMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Listed equity securities	<u>15,936</u>	<u>265</u>

15. TRADE AND OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables arising from the business of dealing in securities and futures contracts		
— Cash clients	69,851	30,202
— Margin clients	12,258	66
	<u>82,109</u>	<u>30,268</u>
Other payables	14,145	9,083
Accruals	3,419	2,490
	<u>99,673</u>	<u>41,841</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 2022, potential future cash outflows of HK\$8,650,000 (2021: 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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	4,008	6,310
Depreciation	(2,302)	(2,302)
	<u> </u>	<u> </u>
At the end of the year	<u>1,706</u>	<u>4,008</u>

Lease liabilities

	Land and buildings	
	2022	2021
	HK\$'000	HK\$'000
At the beginning of the year	4,702	6,668
Interest expense	452	736
Lease payments	(2,884)	(2,702)
	<hr/>	<hr/>
At the end of the year	2,270	4,702
	<hr/> <hr/>	<hr/> <hr/>
Analysed into:		
Current liabilities	2,270	2,432
Non-current liabilities	–	2,270
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2022 and 2021, the Group had total future lease payments for leases committed but not yet commenced falling due as follows:

	Minimum lease payments	Interest	Present value
	HK\$'000	HK\$'000	HK\$'000
Not later than one year	2,884	(452)	2,432
Later than one year and not later than two years	<hr/> 2,401	<hr/> (131)	<hr/> 2,270
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2021	5,285	(583)	4,702
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Not later than one year	2,402	(132)	2,270
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2022	2,402	(132)	2,270
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

	2022	2021
	HK\$'000	HK\$'000
Depreciation expense of right-of-use assets	2,302	2,302
Interest on lease liabilities (<i>note 8</i>)	452	736
Expense relating to short-term leases	105	101

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 2022 was HK\$2,989,000 (2021: HK\$2,803,000).

17. EVENT AFTER THE REPORTING DATE

The Company received a notice from Yuanyin Holdings Limited of its intention to exercise the conversion rights in respect of the SYHL Bonds in full in the outstanding aggregate principal amount of HK\$150 million on 13 February 2023, subject to the conversion conditions of the terms and conditions of the SYHL Bonds. Further details on conversion is disclosed in the public announcement on 13 February 2023.

FINAL DIVIDEND

The Directors did not recommend the payment of any dividend for the year ended 31 December 2022.

BUSINESS AND FINANCIAL REVIEW

The Group's business performance showed positive results, despite the negative impact of COVID-19. For the year ended 31 December 2022, the revenue of the Group slightly increased to approximately HK\$59.9 million, representing a 38.3% increase as compared with approximately HK\$43.3 million for the year ended 31 December 2021. Loss for the year ended 31 December 2022 was approximately HK\$5.8 million, as compared with a profit of approximately HK\$4.7 million for the year ended 31 December 2021. Such a decrease is primarily attributable to increases in some expense items, including, loss allowances on trade receivables and finance costs for the year ended 31 December 2022.

During the year ended 31 December 2022, the total revenue of Sheng Yuan Financial Services Group Limited (a subsidiary of the Company) and its subsidiaries (collectively, the “**SYFS Group**”) increased by approximately 16.6% to approximately HK\$48.5 million (2021: HK\$41.6 million). For securities business, revenue from securities brokerage and financial services during the year ended 31 December 2022 increased by 125.2% to approximately HK\$27.7 million (2021: approximately HK\$12.3 million); segment result recorded a profit of approximately HK\$18.6 million (2021: approximately HK\$6.1 million). Such an increase in both revenue and profit was mainly because some clients restart their Debt Capital Market (“**DCM**”) and Equity Capital Market (“**ECM**”) projects during the year.

For asset management business, as of 31 December 2022, Sheng Yuan Asset Management Limited (“**SYAM**”) acted as the fund manager or investment adviser for 1 funds and 3 discretionary accounts. The total assets under management (the “**AUM**”) of SYAM decreased by 62.8% to approximately HK\$706 million for the year ended 31 December 2022 (2021: approximately HK\$1.9 billion). During the year ended 31 December 2022, the Group recorded segment revenue of approximately HK\$20.8 million (2021: approximately HK\$29.4 million) generated from asset management business, representing a decrease of approximately 29.2%; it recorded segment profit of approximately HK\$6.2 million (2021: profit of approximately HK\$22.3 million), representing a decrease of approximately 72.2%. The decrease in the segment revenue was mainly to the decrease in management fee as a result of the redemption of the fund upon the maturity of some investment holdings, which resulted in a drop in total asset under management and thus the management fee income. In addition, the significant decrease in the segmented asset to HK\$11.5 million (2021: HK\$25.1 million) was mainly due to a one-off impairment of financial assets accounting for approximately HK\$13.3 million. SYAM knows well of the dynamics in the capital market and owns an experienced investment team and unique analysis and advice.

For proprietary trading business, the Company mainly invests, through its subsidiaries, in the listed shares and real estate bonds in the Hong Kong market. During the year ended 31 December 2022, as the cash position of the Group improved significantly, the Group resumed its proprietary trading business to expand its source of revenue. The segment loss from the proprietary trading business was approximately HK\$2 million (2021: segment profit of approximately HK\$1.1 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 2022, the segment achieved a profit of approximately HK\$0.1 million (2021: a loss of approximately HK\$0.2 million).

PROSPECTS AND FUTURE PLANS

Looking forward to 2023, the market conditions for Hong Kong remain uncertain and continue to face new challenges, as the city has controlled and recovered 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 its competitive advantage through deploy more resources for seizing this market potential and broadening its revenue so as to generate value for shareholders. The Directors are confident to achieve sustainable growth from 2023 and bring greater returns to our shareholders.

The Group has formulated business plans to enhance its financial positions, as well as to develop its existing business operations. For the 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 the 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 also tries to resume its proprietary trading and trading business to expand its 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 for 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 improve its operating performance.

ACQUISITION AND DISPOSAL

There were no material acquisitions or disposal during the year ended 31 December 2022.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2022, cash and bank balances in general accounts maintained by the Group were approximately HK\$79.9 million, representing an increase of approximately 15.6% from approximately HK\$69.1 million as of 31 December 2021. Balances in trust and segregated accounts were approximately HK\$82.4 million, representing an increase of approximately 171.9% from approximately HK\$30.3 million as of 31 December 2021. Trade and other receivables, deposits and prepayments were approximately HK\$18 million as at 31 December 2022, representing an decrease of approximately 37.1% from approximately HK\$28.6 million in 2021. Such decrease is mainly due to increased loss allowances on trade receivables from asset management service and underwriting and placing services. Trade and other payables and accruals were approximately HK\$99.7 million as at 31 December 2022 (2021: HK\$41.8 million). The Group's current assets and current liabilities as of 31 December 2022 were approximately HK\$198.7 million (2021: HK\$131.3 million) and approximately HK\$251.8 million (2021: HK\$47.6 million), respectively. The long-term liability as of 31 December 2022 was nil (2021: HK\$142.7 million). The gearing ratio of the Group, measured as total debts to total assets, was approximately 70% as at 31 December 2022 (2021: 88%). As at 31 December 2022, the Group recorded net liabilities of approximately HK\$37.2 million (2021: HK\$31.3 million). During the year ended 31 December 2022, the Group financed its operations with internally generated cash flow.

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 currency 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 2022, 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 2022, the Group did not have any pledged assets.

HUMAN RESOURCES

As at 31 December 2022, the Group employed 23 employees. The remuneration policy and package of the Group's employees are maintained at the market level and are reviewed annually by management. In addition to the 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, safety, etc.

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

During the year ended 31 December 2022, 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 audited results for the year ended 31 December 2022 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 Mr. Guo Yaoli.

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. Ma Baojun (Chairman), Mr. Zhang Jinfan and Mr. Guo Yaoli.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standard of corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with the code on corporate governance practices (the “**Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the year ended 31 December 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, CEO, and Chairman with effect from 29 October 2021 until 19 May 2022. 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 a sufficient balance of power and safeguards in place, and the arrangement would not impair the balance of power of the Company.

The Code provision C.5.1 stipulates that the board of directors should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals. During the Reporting Period, only three regular board meetings were held and the Board has review and discuss, among others, the annual results, the interim results and the performance of the Company. During the Reporting Period, the Directors were provided with relevant information of the Company regarding the operation and financial performance of the Group. The Board will endeavour to comply with the Code provision C.5.1 going forward.

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 2022.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “**AGM**”) will be held on 1 June 2023 in Hong Kong. The Notice of AGM will be published and despatched to the shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Monday, 29 May 2023 to Thursday, 1 June 2023, both days inclusive, during which period no transfer of ordinary shares will be registered. In order to determine the identity of ordinary shareholder(s) who is entitled to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 25 May 2023.

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 2022:

Material Uncertainty Related to Going Concern

We draw attention to note 3.1 in the consolidated financial statements, which indicates that, for the year ended 31 December 2022, the Group incurred a loss of approximately HK\$6 million and as of that date, had net current liabilities and net liabilities of approximately HK\$53 million and HK\$37 million respectively and 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 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.

SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This 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 2022 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
Ma Baojun
Chairman

Hong Kong, 22 March 2023

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. Huang Qin and Mr. Guo Yaoli (all being independent non-executive Directors).