

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Sheng Yuan Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)**

**(1) PROPOSED CAPITAL REORGANIZATION  
(2) PROPOSED SHARE CONSOLIDATION  
(3) ADJUSTMENT TO CONVERSION PRICE OF  
THE CONVERTIBLE BONDS  
AND  
(4) NOTICE OF SPECIAL GENERAL MEETING**

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 7 to 19 of this circular. A notice convening the SGM to be held at Meeting Room, 26/F, No. 238 Des Voeux Road Central, Sheung Wan, Hong Kong on Thursday, 22 September 2022 at 10:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is also enclosed herewith.

Whether or not you are able to attend the SGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

**PRECAUTIONARY MEASURES FOR THE SGM**

To safeguard the health and safety of the Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the SGM:

- (1) Compulsory body temperature screening/checks
- (2) Wearing of surgical face mask
- (3) No provision of refreshments or drinks

Attendees who do not comply with the precautionary measures referred to in (1) to (2) above may be denied entry to the SGM venue, at the absolute discretion of the Company as permitted by law.

**For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the SGM by appointing the chairman of the SGM as their proxy and to return their proxy forms by the time specified above, instead of attending the SGM in person.**

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## EXPECTED TIMETABLE

*The expected timetable for implementation of the Capital Reorganisation is as follows:*

<b>Event</b>	<b>2022</b>
Publication of a reduction notice in relation to the Capital Reduction in Bermuda.....	Between Sunday, 27 August 2022 and Sunday, 11 September 2022
Despatch of the Company's circular regarding, among others, the Capital Reorganization and the Share Consolidation with notice of SGM and form of proxy.....	Wednesday, 31 August 2022
Latest time and date for lodging transfer of the Existing Shares in order to qualify for attending and voting at the SGM .....	4:30 p.m. on Friday, 16 September 2022
Register of members of the Company closed for determining the entitlement to attend and vote at the SGM .....	from Monday, 19 September to Thursday, 22 September 2022 (both days inclusive)
Latest time and date for lodging forms of proxy for the SGM (not less than 48 hours prior to the time of the SGM).....	10:00 a.m. on Tuesday, 20 September 2022
Time and date of the SGM .....	10:00 a.m. on Thursday, 22 September 2022
Publication of announcement of poll results of the SGM.....	Thursday, 22 September 2022

*The following events are conditional on the fulfillment of the conditions of the Capital Reorganization:*

Expected effective date of the Capital Reorganization and the Share Consolidation .....	Monday, 26 September 2022
First day for free exchange of existing share certificates for the Existing Shares for new share certificates for the Consolidated Shares....	9:00 a.m. on Monday, 26 September 2022
Commencement of dealings in the Consolidated Shares on the Stock Exchange .....	9:00 a.m. on Monday, 26 September 2022
Original counter for trading in Shares in board lots of 10,000 Existing Shares (in the form of existing share certificates) temporarily closes.....	9:00 a.m. on Monday, 26 September 2022

## EXPECTED TIMETABLE

Temporary counter for trading in Consolidated Shares in temporary board lot of 1,000 Consolidated Shares (in the form of existing share certificates) opens..... 9:00 a.m. on Monday, 26 September 2022

Original counter for trading in Consolidated Shares in board lot of 10,000 Consolidated Shares (in the form of new share certificates for Consolidated Shares) re-opens..... 9:00 a.m. on Tuesday, 11 October 2022

Parallel trading in the Shares and Consolidated Shares (in the form of existing share certificates and new share certificates) commences..... 9:00 a.m. on Tuesday, 11 October 2022

Designated broker starts to stand in the market to provide matching services for sale and purchase of odd lots of Consolidated Shares..... 9:00 a.m. on Tuesday, 11 October 2022

Designated broker ceases to stand in the market to provide matching services for sale and purchase of odd lots of Consolidated Shares..... 4:00 p.m. on Monday, 31 October 2022

Temporary counter for trading in Consolidated Shares in temporary board lot of 1,000 Consolidated Shares (in the form of existing share certificates) closes..... 4:10 p.m. on Monday, 31 October 2022

Parallel trading in Consolidated Shares (in the form of new share certificates for Consolidated Shares and existing share certificates) ends..... 4:10 p.m. on Monday, 31 October 2022

Last day for free exchange of existing share certificates for the Existing Shares for the new share certificates for the Consolidated Shares..... 4:30 p.m. on Wednesday, 2 November 2022

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Adjusted Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company following the Capital Reorganization becoming effective but prior to the Share Consolidation becoming effective
“Board”	the board of Director(s)
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Business Day(s)”	a day (other than a Saturday, Sunday and any day on which a tropical cyclone warning no. 8 or above is hoisted or on which a “black” rainstorm warning is hoisted between 9:00 a.m. and 5:00 p.m.) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Capital Reduction”	the proposed reduction of the issued share capital of the Company by reducing the par value of each issued 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 each issued 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 Reorganization”	collectively, the Capital Reduction and the Share Subdivision
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Company dated 29 April 2021 in relation to, among others, the subscription of the Convertible Bonds
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Sheng Yuan Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange (Stock Code: 851)
“Consolidated Share(s)”	the ordinary share(s) of par value HK\$0.10 each in the share capital of the Company upon the Share Consolidation becoming effective

## DEFINITIONS

“Conversion Price”	the conversion price of each Conversion Share subject to adjustment in the manner provided in the terms and conditions of the Convertible Bonds
“Conversion Period”	the conversion period of the Convertible Bonds, which is the period commencing on or after the next Business Day after the issue date of the Convertible Bonds and ending on the date that falls on the 10th Business Day after the maturity date, both dates inclusive, or a longer period of time as may be agreed otherwise by the Subscriber and the Company, subject to the terms and conditions under the Subscription Agreement
“Conversion Share(s)”	the Shares to be issued upon the conversion of the Convertible Bonds
“Convertible Bonds”	the convertible bonds due 2023 in the aggregate principal amount of HK\$150 million at the interest rate of 1% per annum issued by the Company to the Subscriber on 21 May 2021
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Existing Share(s)”	ordinary share(s) of par value of HK\$0.05 each in the share capital of the Company prior to the Capital Reorganization becoming effective
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	Thursday, 25 August 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

## DEFINITIONS

“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve, among others, (i) the Capital Reorganization and (ii) the Share Consolidation
“Share(s)”	the Existing Share(s) or the Adjusted Share(s) or the Consolidated Share(s), as the case maybe
“Share Consolidation”	the proposed consolidation of every ten (10) issued and unissued Adjusted Shares of par value HK\$0.01 each in the share capital of the Company into one (1) Consolidated Share of par value HK\$0.10 each
“Share Subdivision”	the proposed subdivision of each of the authorized but unissued Existing Shares of par value of HK\$0.05 into five Adjusted Shares of par value of HK\$0.01 each
“Shareholder(s)”	holder(s) of shares of the Company
“Shareholder’s Loan”	a shareholder’s loan in the principal amount of HK\$99.8 million at the interest rate of 5% per annum with a maturity date of 22 January 2023 granted by the Group to Yuanyin Finance, which has been set off by the corresponding part of the subscription price of the Convertible Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber” or “Yuanyin Holdings”	Yuanyin Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which, together with its subsidiaries, is interested in 1,030,170,000 Shares, representing approximately 26.97% of the total issued share capital of the Company as at the Latest Practicable Date
“Subscription Agreement”	the subscription agreement dated 1 April 2021 in respect of the subscription of the Convertible Bonds entered into between the Company and the Subscriber
“Takeovers Code”	the Codes on Takeovers and Mergers of Hong Kong

## DEFINITIONS

“Whitewash Waiver”	a waiver to be applied by the Company pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscriber to make a mandatory general offer for all the Shares not already owned by the Subscriber and parties acting in concert with it under Rule 26.1 of the Takeovers Code, which may otherwise arise as a result of the conversion of the Convertible Bonds by the Subscriber from time to time
“Yuanyin Group”	Yuanyin Holdings and its subsidiaries



LETTER FROM THE BOARD



**盛源控股有限公司**

SHENG YUAN HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 851)**

*Executive Directors:*

Mr. Zhou Quan  
Mr. Zhao Yun

*Non-executive Directors:*

Mr. Ma Baojun  
Mr. Huang Shuanggang

*Independent non-executive Directors:*

Mr. Zhang Jinfan  
Ms. Wen Han Qiuzi  
Ms. Huang Qin

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Principal place of business  
in Hong Kong:*

26/F  
238 Des Voeux Road Central  
Sheung Wan  
Hong Kong

31 August 2022

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED CAPITAL REORGANIZATION  
(2) PROPOSED SHARE CONSOLIDATION  
AND  
(3) ADJUSTMENT TO CONVERSION PRICE OF  
THE CONVERTIBLE BONDS  
(4) NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

Reference is made to (i) the Circular in relation to, among others, the subscription of the Convertible Bonds by the Subscriber and the proposed Capital Reorganization; (ii) the poll results announcement of the Company dated 14 May 2021 in relation to the poll results of the special general meeting held on 14 May 2021; (iii) the announcement of the Company dated 21 May 2021 in relation to the completion of the issue of the Convertible Bonds; and (iv) the announcement of the Company dated 24 August 2022 in relation to, among others, the Capital Reorganization and the Share Consolidation. As disclosed in the Circular, the Company has issued the Convertible Bonds to the Subscriber in order to settle the principal amount of the Shareholder's Loan, replenish its liquid capital and facilitate the future expansion of the

## LETTER FROM THE BOARD

Group's underwriting and other businesses. The conversion of the Convertible Bonds at the conversion price of HK\$0.03 per Share is subject to, among others, completion of the Capital Reorganization to be approved by the Shareholders at a general meeting of the Company.

The purpose of this circular is to provide the Shareholders with, among other things, (i) details of the Capital Reorganization and the Share Consolidation and (ii) a notice of the SGM.

### **THE CAPITAL REORGANIZATION**

As disclosed in the Circular, the Company intends to, subject to Shareholders' approval, implement the Capital Reorganization following the issuance of the Convertible Bonds. The Company proposes to implement the Capital Reorganization which will involve the Capital Reduction and the Share Subdivision, details of which are as follows:

#### **(i) Capital Reduction**

the Company proposes to implement the Capital Reduction, pursuant to which the issued share capital of the Company will be reduced by a reduction of the par value of each issued Existing Share from HK\$0.05 to HK\$0.01, which reduction will comprise a cancellation of the paid-up capital to the extent of HK\$0.04 on each issued Existing Share so that each issued 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 immediately following the Capital Reduction and 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; and

#### **(ii) Share Subdivision**

immediately following the Capital Reduction, each of the authorized but unissued Existing Shares of par value of HK\$0.05 will be sub-divided into five Adjusted Shares of par value of HK\$0.01 each.

### **Conditions of the Capital Reorganization**

The implementation of the Capital Reorganization is conditional upon:

- (i) the passing of a special resolution approving the Capital Reorganization by the Shareholders at the SGM;
- (ii) the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares arising from the Capital Reorganization and the Share Consolidation;
- (iii) the compliance with the relevant procedures and requirements under the laws of Bermuda and the Listing Rules to effect the Capital Reorganization; and
- (iv) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganization.

## LETTER FROM THE BOARD

Subject to the above conditions being fulfilled, the Capital Reorganization is expected to become effective on the second Business Day immediately following the date of passing the special resolution approving the Capital Reorganization.

### Effects and Reasons of the Capital Reorganization

As at the Latest Practicable Date, the authorized share capital of the Company was HK\$600,000,000 divided into 12,000,000,000 Shares of par value of HK\$0.05 each, among which 3,819,705,413 Existing Shares have been issued and 8,180,294,587 Existing Shares remain unissued. Assuming there will be no change in the issued share capital of the Company from the Latest Practicable Date until the effective date of the Capital Reorganization, the authorized share capital of the Company after the Capital Reorganization will become HK\$600,000,000 divided into 60,000,000,000 Adjusted Shares of par value of HK\$0.01 each, among which 3,819,705,413 Adjusted Shares will be issued and 56,180,294,587 Adjusted Shares will remain unissued.

As at the Latest Practicable Date, save for the Convertible Bonds and the rights attached thereto, the Company did not have any other outstanding options, warrants or securities in issue which are convertible or exchangeable into the shares of the Company.

The Capital Reorganization will reduce the par value per Existing Share from HK\$0.05 to HK\$0.01 (including both issued and unissued Existing Shares). Assuming no further Existing Shares will be issued or repurchased prior to the effective date of the Capital Reorganization, the effect of the Capital Reorganization and the share capital structure of the Company is summarized below:

	<b>As at the Latest Practicable Date</b>	<b>Immediately upon the Capital Reorganization becoming effective but prior to the Share Consolidation becoming effective</b>
Par value per Share	HK\$0.05 per Existing Share	HK\$0.01 per Adjusted Share
Authorized share capital	HK\$600,000,000 divided into 12,000,000,000 Existing Shares	HK\$600,000,000 divided into 60,000,000,000 Adjusted Shares
Number of issued Shares	3,819,705,413 Existing Shares	3,819,705,413 Adjusted Shares
Number of unissued Shares	8,180,294,587 Existing Shares	56,180,294,587 Adjusted Shares

## LETTER FROM THE BOARD

Based on the 3,819,705,413 Existing Shares in issue as at the Latest Practicable Date and assuming that the par value of each of the 3,819,705,413 issued Existing Shares will be reduced from HK\$0.05 to HK\$0.01 per issued Share by way of the Capital Reduction, a credit amounting to approximately HK\$152,788,217 will arise as a result of the Capital Reduction. It is proposed that 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, which will be used by the Board to set-off against the accumulated losses of the Company (if any) after the Capital Reorganization becoming effective or in any manner as the Board may deem fit as may be permitted under the applicable laws and the bye-laws of the Company.

**WARNING: Shareholders and potential investors of the Company should note that the credit arising in the accounts of the Company from the Capital Reduction will be subject to change depending on the number of the Existing Shares in issue immediately prior to the Capital Reduction becoming effective.**

As disclosed in the Circular, the Company may not issue Shares at a discount to the nominal value of such Shares under Bermuda laws as advised by the Company's Bermuda legal advisor. Therefore, the conversion of the Convertible Bonds at the conversion price of HK\$0.03 per Share is subject to, among others, completion of the Capital Reorganization to be approved by the Shareholders at a general meeting of the Company. The completion of the conversion of the Convertible Bonds can significantly decrease the debt ratio and in turn alleviate the financial burden of the Group. Furthermore, upon the completion of the conversion of the Convertible Bonds, the Subscriber will hold more than 50% of the then total issued share capital of the Company, which will therefore have more incentive in devoting its resources into the Group at both operational and financial levels.

The conversion of the Convertible Bonds is also subject to the fulfilment of the following conditions precedent:

- (i) the Listing Committee having granted (either unconditional or subject only to conditions to which Yuanyin Holdings does not reasonably object) the listing of and permission to deal in, the Conversion Shares;
- (ii) with respect to Yuanyin Holdings' exercise of its conversion right as a Bondholder:
  - (a) the granting of the Whitewash Waiver by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations on Yuanyin Holdings to make a mandatory general offer for all the issued Shares other than those already owned or agreed to be acquired by Yuanyin Holdings and parties acting in concert with it as a result of the Company allotting and issuing of the Conversion Shares (if required);
  - (b) the granting of the approval from the SFC in relation to the change of substantial shareholder(s) (as defined in the SFO) of each of the licensed corporations within the Group upon the issuance of the Conversion Shares (if required); and

## LETTER FROM THE BOARD

- (iii) the public float of the Shares having not fallen below the minimum requirement under Rule 8.08(1)(a) of the Listing Rules or as required by the Stock Exchange immediately upon such conversion.

Yuanyin Holdings reserves its right as to whether or not to waive condition (ii)(a) above. If condition (ii)(a) is waived, Yuanyin Holdings will comply with the provisions of the Takeovers Code including but not limited to the making of a general offer for the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company under Rule 26.1 of the Takeovers Code.

As disclosed in the Circular, Yuanyin Holdings intends to convert the Convertible Bonds in full to the Shares pursuant to the terms and conditions of the Subscription Agreement as soon as practicable after the conditions to the conversion are satisfied or waived (where applicable). Yuanyin Holdings has agreed that it will exercise its conversion rights to convert all of the Convertible Bonds to Conversion Shares before the end of the Conversion Period in 2023 in the absence of any event of default under the Convertible Bonds and subject to the fulfilment of all the conditions precedent to the conversion.

As at the Latest Practicable Date, none of the condition precedents to the conversion of the Convertible Bonds have been satisfied. The Company will implement the Capital Reorganization upon obtaining the Shareholders' approval at the SGM, and Yuanyin Holdings proposes to initiate the application to the Executive for the Whitewash Waiver as soon as possible upon the implementation of the Capital Reorganization, and the application to the SFC for the change of substantial shareholder(s) (as defined in the SFO) of each of the licensed corporations within the Group upon the issuance of the Conversion Shares (if required).

Other than the relevant expenses, including but not limited to professional fees and printing charges incurred and to be incurred, the implementation of the Capital Reorganization will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company or the proportionate interests of the Shareholders. The Board believes that the Capital Reorganization will not have any material adverse effect on the financial position of the Group.

### **THE SHARE CONSOLIDATION**

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

### **Conditions of the Share Consolidation**

The implementation of the Share Consolidation is conditional upon:

- (i) the Capital Reorganization having become effective;

## LETTER FROM THE BOARD

- (ii) the passing of an ordinary resolution approving the Share Consolidation by the Shareholders at the SGM;
- (iii) the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares arising from the Capital Reorganization and the Share Consolidation;
- (iv) the compliance with the relevant procedures and requirements under the laws of Bermuda and the Listing Rules to effect the Share Consolidation; and
- (v) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Share Consolidation.

Subject to the above conditions being fulfilled, the Share Consolidation is expected to become effective immediately following the Capital Reorganization having become effective.

### **Effect and Reasons of the Share Consolidation**

After the completion of the Capital Reorganization but prior to the completion of the Share Consolidation, the authorized share capital of the Company will become HK\$600,000,000 divided into 60,000,000,000 Adjusted Shares of par value of HK\$0.01 each, among which 3,819,705,413 Adjusted Shares are issued and are fully paid or credited as fully paid, and 56,180,294,587 Adjusted Shares remain unissued.

Immediately upon the Share Consolidation becoming effective, and assuming no further Adjusted Shares will be issued or repurchased from the completion of the Capital Reorganization up to and including the effective date of the Share Consolidation, the authorised share capital of the Company shall be HK\$600,000,000 divided into 6,000,000,000 Consolidated Shares of par value HK\$0.10 each, of which 381,970,541 Consolidated Shares will have been issued and will be fully paid or credited as fully paid, and 5,618,029,459 Consolidated Shares remain unissued.

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 30 August 2019 has further stated that (i) market price of the Shares at a level less than HK\$0.1 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

Since June 2020, the share price of the Company has been constantly below HK\$0.1 each and the existing board lot value has been less than HK\$2,000. The proposed Share Consolidation will increase the nominal value of the Shares and would bring about a corresponding upward adjustment in the expected value per board lot. As such, it would enable the Company to comply with the trading requirements under the Listing Rules. Further, the Share Consolidation would reduce the overall transaction and handling costs of dealings in

## LETTER FROM THE BOARD

the shares of the Company as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities trade.

Thus, the Board considers that the Share Consolidation would maintain the trading amount for each board lot at a reasonable level in order to attract more investors and to extend the shareholder base of the Company. It is also hoped that the Share Consolidation will make investing in the Shares more attractive to a broader range of investors, in particular to institutional investors whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor, and thus help to further broaden the shareholder base of the Company. The Directors also believe that the Share Consolidation will provide greater opportunity for and more flexibility in the Company's possible equity fund raising in the future.

The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Group nor result in change in the relative rights of the Shareholders.

### **Status of the Shares after the Capital Reorganization and the Share Consolidation**

All Consolidated Shares in issue immediately following the Capital Reorganization and the Share Consolidation becoming effective will rank pari passu in all respects with each other and the Capital Reorganization and the Share Consolidation will not result in any change in the relative rights of the Shareholders.

The Existing Shares are traded in board lots of 10,000 Existing Shares. The Board proposes that the board lot size for trading in the Shares of the Company remain unchanged at 10,000 Consolidated Shares upon the Capital Reorganization and the Share Consolidation becoming effective.

Based on the closing price of HK\$0.032 per Share (equivalent to HK\$0.32 per Consolidated Share) as quoted on the Stock Exchange as at the Latest Practicable Date, the value of each board lot of the Shares is HK\$320 and the theoretical market value of each board lot of the Consolidated Shares, assuming the Capital Reorganization and the Share Consolidation had become effective, would be HK\$3,200.

### **Listing Application**

Application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares arising from the Capital Reorganization and the Share Consolidation.

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange

## **LETTER FROM THE BOARD**

on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

After the Capital Reorganization and the Share Consolidation becoming effective, the Consolidated Shares will be identical in all respects and rank pari passu in all respects with each other as to all future dividends and distributions which are declared, made or paid. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS.

No part of the equity or debt securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal in is being currently proposed to be sought from any other stock exchange

### **Exchange of Share Certificates**

Subject to the Capital Reorganization and the Share Consolidation becoming effective, which is expected to be on Monday, 26 September 2022, the Shareholders may on or after Monday, 26 September 2022 and until Wednesday, 2 November 2022 (both days inclusive) submit their existing share certificates for the Existing Shares in blue color for the Existing Shares to the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong to exchange for new share certificates for the Consolidated Shares in red color at the expense of the Company. Thereafter, share certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each new share certificate issued for the Consolidated Shares or each existing share certificate for the Existing Shares submitted for cancellation, whichever the number of certificates issued or cancelled is higher. After 4:10 p.m. on Monday, 31 October 2022, existing share certificates for the Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for the Consolidated Shares at any time but are not acceptable for trading, settlement and registration purposes.

### **Fractional entitlement to Consolidated Shares**

Fractional Consolidated Shares (if any) will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

### **Arrangement on Odd Lot Trading**

In order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company will appoint an agent to provide matching services, on a best efforts basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares.



## LETTER FROM THE BOARD

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. The Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers. Further details of the odd lot arrangement will be set out in a circular containing, among other things, (i) details of the Capital Reorganization and the Share Consolidation, and (ii) a notice of the SGM, which is expected to be despatched to the Shareholders on or before Wednesday, 31 August 2022.

### ADJUSTMENTS TO CONVERSION PRICE OF THE CONVERTIBLE BONDS

Pursuant to the terms and conditions of the Convertible Bonds, the Conversion Price shall be subject to adjustment upon the occurrence of, among others, any alteration of the nominal value of the Shares by reason of consolidation or sub-division of Shares. Accordingly, the Share Consolidation gave rise to the adjustment to the Conversion Price. Pursuant to the terms and conditions of the Convertible Bonds, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration, and

such adjustment shall become effective from the day on which such consolidation or subdivision becomes effective.

## LETTER FROM THE BOARD

The adjustments resulting from the Share Consolidation as set out in the table below will take effect after the trading hours on Monday, 26 September 2022, being the date on which the Share Consolidation becomes effective:

<i>Convertible Bonds</i>	<i>After the Capital Reorganization but immediately before the Share Consolidation becoming effective</i>			<i>Immediately after the Share Consolidation becoming effective</i>	
<b>Date of Issue</b>	<b>Outstanding principal amount of the Convertible Bonds</b>	<b>Number of the Adjusted Shares to be allotted and issued upon exercise of all the conversion rights under the Convertible Bonds</b>	<b>Conversion Price per Adjusted Share</b>	<b>Adjusted number of the Consolidated Shares to be allotted and issued upon exercise of all the conversion rights under the Convertible Bonds</b>	<b>Adjusted Conversion Price per Consolidated Share</b>
21 May 2021 (due 2023)	HK\$150,000,000	5,000,000,000	HK\$0.03	500,000,000	HK0.3

As the Capital Reorganization will involve no sub-division of issued shares of the Company, it would not give rise to any other adjustment to the Conversion Price.

Save for the above adjustments, all other terms and conditions of the Convertible Bonds remain unchanged. Gram Capital Limited, the independent financial advisor of the Company, has certified that the above adjustments of the Convertible Bonds were made in accordance with the instrument of the Convertible Bonds and were made in compliance with the Listing Rules.

## LETTER FROM THE BOARD

### Effect on the Shareholding Structure of the Company upon the Capital Reorganization, the Share Consolidation and the issuance of the Conversion Shares

The table below sets out a summary of the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of Capital Reorganization and Share Consolidation; and (iii) upon full conversion of the Convertible Bonds (assuming that there will be no other change in the issued share capital of the Company):

Shareholders	As at the Latest Practicable Date		Immediately upon completion of Capital Reorganization and Share Consolidation		After completion of Capital Reorganization and Share Consolidation and immediately after the issue of Conversion Shares upon full conversion of the Convertible Bonds	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
<i>Yuanyin Group</i>						
Yuanyin Holdings <sup>(1)</sup>	1,011,000,000	26.47%	101,100,000	26.47%	601,100,000	68.15%
Yuanyin International Limited <sup>(1)</sup>	<u>19,170,000</u>	<u>0.50%</u>	<u>1,917,000</u>	<u>0.50%</u>	<u>1,917,000</u>	<u>0.22%</u>
<b>Subtotal</b>	<b><u>1,030,170,000</u></b>	<b><u>26.97%</u></b>	<b><u>103,017,000</u></b>	<b><u>26.97%</u></b>	<b><u>603,017,000</u></b>	<b><u>68.37%</u></b>
<i>Public Shareholders</i>						
Zhao Jian Yun <sup>(2)</sup>	357,142,857	9.35%	35,714,286	9.35%	35,714,286	4.05%
Shao Yong Chao <sup>(3)</sup>	300,000,000	7.85%	30,000,000	7.85%	30,000,000	3.40%
Other public shareholders	<u>2,132,392,556</u>	<u>55.83%</u>	<u>213,239,256</u>	<u>55.83%</u>	<u>213,239,256</u>	<u>24.18%</u>
<b>Subtotal</b>	<b><u>2,789,535,413</u></b>	<b><u>73.03%</u></b>	<b><u>278,953,541</u></b>	<b><u>73.03%</u></b>	<b><u>278,953,541</u></b>	<b><u>31.63%</u></b>
<b>Total</b>	<b><u>3,819,705,413</u></b>	<b><u>100.00%</u></b>	<b><u>381,970,541</u></b>	<b><u>100.00%</u></b>	<b><u>881,970,541</u></b>	<b><u>100.00%</u></b>

*Notes:*

- (1) As at the Latest Practicable Date, the 1,030,170,000 Shares which Yuanyin Holdings was interested in under Part XV of the SFO include (i) 1,011,000,000 Shares directly held by Yuanyin Holdings; and (ii) 19,170,000 Shares indirectly held through Yuanyin International Limited (a wholly-owned subsidiary of Yuanyin Holdings).
- (2) Ms. Zhao Jian Yun is a PRC national and has extensive experience in investing in listed companies. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, Ms. Zhao Jian Yun is a third party shareholder independent of the Company. The Shares held by Ms. Zhao Jian Yun are considered to be in public hands in accordance with Rule 8.24 of the Listing Rules.

## LETTER FROM THE BOARD

- (3) Mr. Shao Yong Chao is a PRC national and has extensive experience in investing in listed companies. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, Mr. Shao Yong Chao is a third party shareholder independent of the Company. The Shares held by Mr. Shao Yong Chao are considered to be in public hands in accordance with Rule 8.24 of the Listing Rules.

The shareholdings of the existing public Shareholders would be diluted from approximately 73.03% of the total issued share capital of the Company as at the Latest Practicable Date to approximately 31.63% of the total issued share capital of the Company immediately after the issue of the Conversion Shares upon full conversion of the Convertible Bonds. For details of the potential dilutive effect to the public Shareholders upon full conversion of the Convertible Bonds, please refer to the table above in this section "Effect on the Shareholding Structure of the Company upon the Capital Reorganization, the Share Consolidation and the issuance of the Conversion Shares"

### WARNING

**Shareholders should take note that the Capital Reorganization and the Share Consolidation are conditional upon satisfaction of conditions set out in the paragraphs headed "Conditions of the Capital Reorganization" and "Conditions of the Share Consolidation". Therefore, the Capital Reorganization and the Share Consolidation may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Existing Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

### SGM

The SGM will be convened to consider and, if thought fit, approve, among others, (i) the Capital Reorganization and (ii) the Share Consolidation.

The voting at the SGM will be conducted by way of a poll. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder will be required to abstain from voting on the resolution(s) approving the Capital Reorganization and the Share Consolidation at the SGM. For the purpose of determining the list of Shareholders who are entitled to attend and vote at the SGM, the register of members of the Company will be closed from Monday, 19 September 2022 to Thursday, 22 September 2022, 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 SGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch 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, 16 September 2022.

A notice convening the SGM to be held at Meeting Room, 26/F, No. 238 Des Voeux Road Central, Sheung Wan, Hong Kong on Thursday, 22 September 2022 at 10:00 a.m., is set out on pages SGM-1 to SGM-3 of this circular.

## LETTER FROM THE BOARD

A form of proxy for use at the SGM is also enclosed herewith. Whether or not you are able to attend the SGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

### RECOMMENDATION

The Directors are of the opinion that the Capital Reorganization and the Share Consolidation are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the resolutions set out in the notice of the SGM.

### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

Yours faithfully  
For and On behalf of the Board  
**Sheng Yuan Holdings Limited**  
**Zhou Quan**  
*Executive Director*

# NOTICE OF SPECIAL GENERAL MEETING



## 盛源控股有限公司

SHENG YUAN HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

(Stock Code: 851)

## NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**SGM**”) of Sheng Yuan Holdings Limited (the “**Company**”) will be held at Meeting Room, 26/F, No. 238 Des Voeux Road Central, Sheung Wan, Hong Kong on Thursday, 22 September 2022 at 10:00 a.m. for the purposes of considering and, if thought fit, passing with or without modifications, the following proposed resolutions of the Company.

### SPECIAL RESOLUTION

1. “**THAT** subject to and conditional upon (i) the listing committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the Consolidated Shares (as defined below); (ii) compliance with the requirements of section 46(2) of the Companies Act 1981 of Bermuda in respect of the Capital Reduction (as defined below); and (iii) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required to effect the Capital Reorganisation (as defined below), with effect from the second business day immediately following the date on which this resolution is passed:
  - a. the par value of each of the issued shares of the Company of HK\$0.05 each (the “**Existing Shares**”) be reduced from HK\$0.05 to HK\$0.01 by a cancellation of the paid-up capital to the extent of HK\$0.04 on each issued Existing Share so that following the aforesaid steps, each issued Existing Share will be treated as one fully paid-up share of par value of HK\$0.01 each in the share capital of the Company (the “**Adjusted Shares**”) (the “**Capital Reduction**”), and the credit arising from the Capital Reduction be transferred to the contributed surplus account of the Company;
  - b. immediately following the Capital Reduction, each of the authorised but unissued Existing Shares of HK\$0.05 each be sub-divided into five Adjusted Shares of par value of HK\$0.01 each (the “**Share Subdivision**”) so that immediately following the Capital Reduction and the Share Subdivision (collectively, the “**Capital Reorganisation**”), the authorised share capital of the Company shall become HK\$600,000,000 divided into 60,000,000,000 Adjusted Shares;
  - c. the Adjusted Shares shall rank pari passu in all respects with each other and have such rights and subject to such restrictions as set out in the memorandum of association and bye-laws of the Company;

## NOTICE OF SPECIAL GENERAL MEETING

- d. the directors of the Company (the “**Directors**”) be and are hereby authorised to utilise the credit in the contributed surplus account of the Company for such purposes as may be permitted by the applicable laws and the bye-laws of the Company as the Directors consider appropriate; and
- e. the Directors be hereby authorised to do all such acts and things and execute all such documents on behalf of the Company, including under the common seal of the Company where applicable, as they may consider necessary or expedient to give effect to the Capital Reorganisation.”

### ORDINARY RESOLUTION

2. “**THAT** subject to and conditional upon (i) the Capital Reorganization having become effective; (ii) the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares (as defined below); and (iii) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required to effect the Share Consolidation (as defined below), with effect from the second business day immediately following the date on which this resolution is passed:
  - a. every ten (10) issued and unissued Adjusted Shares of par value HK\$0.01 each in the share capital of the Company be consolidated into one (1) consolidated share of par value HK\$0.10 each (the “**Consolidated Shares**”) in the share capital of the Company (the “**Share Consolidation**”), such Consolidated Share(s) shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of the shares contained in the memorandum of association and bye-laws of the Company;
  - b. all fractional entitlements to the issued Consolidated Shares resulting from the Share Consolidation (if any) will be disregarded and will not be issued to the shareholders of the Company but all such fractional Consolidated Shares will be aggregated and, if possible, sold and the net proceeds shall be retained for the benefit of the Company in such manner and on such terms as the Directors may think fit; and
  - c. the Directors be hereby authorised to do all such acts and things and execute all such documents on behalf of the Company, including under the common seal of the Company where applicable, as they may consider necessary or expedient to give effect to the Share Consolidation.”

On behalf of the Board  
**Sheng Yuan Holdings Limited**  
**Zhou Quan**  
*Executive Director*

Hong Kong, Wednesday, 31 August 2022

## NOTICE OF SPECIAL GENERAL MEETING

*Principal place of business in Hong Kong:*

26/F

No. 238 Des Voeux Road Central

Sheung Wan

Hong Kong

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Notes:*

1. The resolution at the SGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. A shareholder of the Company (the “**Shareholder**”) entitled to attend and vote at the SGM may appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a Shareholder.
3. Where there are joint registered holders of any share of HK\$0.05 each in the capital of the Company (the “**Share**”), any one such persons may vote at the SGM, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
4. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the Company’s Hong Kong branch share registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM.
5. The register of members of the Company will be closed from Monday, 19 September 2022 to Thursday, 22 September 2022, 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 SGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 16 September 2022.
6. As at the date of this notice, the Board consists of Mr. Ma Baojun (being a non-executive Director), Mr. Zhou Quan and Mr. Zhao Yun (all being executive Directors), Mr. Huang Shuanggang (being a non-executive Director), Mr. Zhang Jinfan, Ms. Wen Han Qiuzi and Ms. Huang Qin (all being independent non-executive Directors).