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.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Sheng Yuan Holdings Limited.

盛源 SHENG YUAN

盛源控股有限公司

SHENG YUAN HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 851)

NOTIFIABLE TRANSACTIONS RELATING TO SUBSCRIPTION OF SENIOR NOTES AND PROMISSORY NOTES

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 6 to 17 of this circular. This circular is being despatched to the Shareholders for information only.

30 November 2022

CONTENTS

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

"Atta Asset"	Atta Asset 4 Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
"Atta Notes"	a leveraged promissory note issued by Atta Asset to Kingwell in the principal amount of US$20,000,000 with the subscription amount of US$10,000,000
"Atta Notes Purchase Agreement"	the agreement dated 15 September 2021 entered into between Atta Asset (as the issuer) and Kingwell Management (as the purchaser) in relation to the subscription of the Atta Notes
"Atta Notes Interest Spread"	has the meaning ascribed to it in this circular
"Board"	the board of Directors
"Business Plan"	has the meaning ascribed to it under the section headed "Reasons for and the Benefits of the Subscriptions — Sheng Yuan's Proprietary Investment" in this circular
"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)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Convertible Bonds Subscription Agreement"	the subscription agreement dated 1 April 2021 in respect of the subscription of the Convertible Bonds entered into between the Company and Yuanyin Holdings, details of which are included in the announcements of the Company dated 1 April 2021, 14 May 2021, 21 May 2021, and the circular of the Company dated 29 April 2021
"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 Yuanyin Holdings pursuant to the Convertible Bonds Subscription Agreement
"Director(s)"	the director(s) of the Company
"Flourishing"	Flourishing Fountain Investment Limited, a company incorporated in the British Virgin Island with limited liability. It is owned as to 100% by Ms. Huang Yanping, a non-executive director of Zensun

"Flourishing Fund's Subscriptions"	collectively, (i) the subscription of the Zensun 23 Notes in the principal amount of US$10,580,000; (ii) the subscription of the Zensun 24 Notes in the principal amount of US$6,500,000; and (iii) the entering into of the Atta Notes Purchase Agreement and the purchase of Atta Notes in the principal amount of US$10,000,000, by Kingwell Management with the Kingwell Notes Proceeds pursuant to the terms of the Kingwell Notes Subscription Agreement and the Triparty Agreement
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Third Party"	third party(ies) independent of the Company and connected persons of the Company
"Kingwell Management"	Kingwell Management Limited, a company incorporated under the laws of Hong Kong with limited liability, and a wholly-owned subsidiary of the Company
"Kingwell Notes"	the principal amount of US$27,080,000 12.5% notes due 2024 issued by Kingwell Management to Flourishing pursuant to the Kingwell Notes Subscription Agreement
"Kingwell Notes Proceeds"	the proceeds received by Kingwell Management
"Kingwell Notes Subscription Agreement"	a subscription agreement dated 6 September 2021 entered into between Kingwell Management (as the issuer) and Flourishing (as the subscriber) in relation to the subscription of the Kingwell Notes
"Latest Practicable Date"	25 November 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Net Value Ratio"	at any time of determination by Kingwell Management, the net value ratio of the Zensun Notes calculating as the then market value of such Zensun Notes determined by Kingwell Management divided by the face amount of such Zensun Notes

"Notes"	collectively, (i) the Zensun 23 Notes; (ii) the Zensun 24 Notes; and (iii) the Atta Notes
"Ping An Insurance"	Ping An Insurance (Group) Company of China, Ltd., a joint stock limited company duly incorporated in the PRC with limited liability, the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601318) and the H shares of which are listed on the Stock Exchange (stock code: 2318)
"Ping An Insurance Group"	Ping An Insurance and its subsidiaries
"Ping An Insurance H Share"	H share(s) of RMB1.00 each in the capital of Ping An Insurance which is/are listed and traded on the Stock Exchange
"Ping An Shares Acquisition"	the acquisition of an aggregate of 304,000 Ping An Insurance H Shares at a total purchase price of approximately HK$15,520,000) by the Company on 16 March 2022 and 17 March 2022
"PRC"	the People's Republic of China which, for the purpose of this circular, does not include Hong Kong, Macau Special Administrative Region and Taiwan
"Regulated Activities"	the regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary shares of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Sheng Yuan Financial Services"	Sheng Yuan Financial Services Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"Sheng Yuan Investment Advisors"	Sheng Yuan Investment Advisors Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

"Sheng Yuan Securities"	Sheng Yuan Securities Limited, a company incorporated in Hong Kong with limited liability, licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance, and an indirect wholly-owned subsidiary of the Company
"Sheng Yuan's Proprietary Investment"	the subscription of the Zensun 24 Notes in the principal amount of US$2,500,000 by Kingwell Management on 23 September 2021, which is a proprietary investment of the Group
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriptions"	collectively, the Sheng Yuan's Proprietary Investment and the Flourishing Fund's Subscriptions
"Subscriptions Announcement"	the announcement of the Company dated 12 August 2022, in relation to, among other things, the subscription of Zensun Notes and Atta Notes in an aggregate principal amount of US$29,580,000 (approximately HK $230,724,000) by Kingwell Management which comprises (i) the Sheng Yuan's Proprietary Investment and (ii) the Flourishing Fund's Subscriptions
"Yuanyin Group"	Yuanyin Holdings and its subsidiaries
"Yuanyin Holdings"	Yuanyin Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which, together with its subsidiaries, was 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
"Triparty Agreement"	a triparty agreement dated 11 September 2021 entered into among Kingwell Management, Flourishing and Sheng Yuan Investment Advisors in relation to, among others, the Subscriptions and the repayment obligations for Kingwell Management
"TRS Arrangements"	the total return swap arrangements between Atta Asset and Huarong Rongde (Hong Kong) Investment Management Company Limited in relation to the Zensun 24 Notes in the principal amount of US$20,000,000 (as the reference bonds)

"Zensun"	Zensun Enterprises Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 185)
"Zensun 23 Notes"	US$200 million 12.50% senior notes due 2023 issued by Zensun (stock code: 40836), details of which are included in the announcement of Zensun dated 9 September 2021
"Zensun 24 Notes"	US$160 million 12.50% senior notes due 2024 issued by Zensun (stock code: 40859), details of which are included in the announcement of Zensun dated 17 September 2021
"Zensun Group"	Zensun and its subsidiaries
"Zensun Notes"	collectively, the Zensun 23 Notes and the Zensun 24 Notes
"%"	per cent

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. Huang Qin
Mr. Guo Yaoli

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

30 November 2022

To the Shareholders

Dear Sir or Madam,

NOTIFIABLE TRANSACTIONS RELATING TO SUBSCRIPTION OF SENIOR NOTES AND PROMISSORY NOTES

A. INTRODUCTION

Reference is made to the Subscriptions Announcement dated 12 August 2022, in relation to, among other things, the subscription of Zensun Notes and Atta Notes in an aggregate principal amount of US$29,580,000 (approximately HK$230,724,000) by Kingwell Management which comprises (i) the Sheng Yuan's Proprietary Investment and (ii) the Flourishing Fund's Subscriptions.

The purpose of this circular is to provide the Shareholders with, among other things, information in relation to the Subscriptions. However, as disclosed in the Subscriptions Announcement, considering that it would be impracticable and unduly burdensome for the Company to unwind the Subscriptions, a general meeting of the Company will not be convened in this regard.

B. SUBSCRIPTION OF SENIOR NOTES AND PROMISSORY NOTES

On 8 September 2021, 15 September 2021 and 16 September 2021, Kingwell Management, a wholly-owned subsidiary of the Company, has subscribed for the Zensun Notes and the Atta Notes in an aggregate principal amount of US$29,580,000 (approximately HK$230,724,000), comprising (i) the Sheng Yuan's Proprietary Investment and (ii) the Flourishing Fund's Subscriptions.

The Sheng Yuan's Proprietary Investment comprised the subscription of the Zensun 24 Notes in the principal amount of US$2,500,000 (approximately HK$19,500,000), financed by the Group's internal resources and which the Group would bear the profit and loss for such proprietary investment. On the other hand, the Flourishing Fund's Subscriptions comprised (i) the subscription of the Zensun 23 Notes in the principal amount of US$10,580,000 (approximately HK$82,524,000); (ii) the subscription of the Zensun 24 Notes in the principal amount of US$6,500,000 (approximately HK$58,500,000); 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), financed by the Kingwell Notes Proceeds from Flourishing and for which Flourishing would bear the loss incurred (if any) by the Flourishing Fund's Subscriptions pursuant to the terms of the Kingwell Notes Subscription Agreement and the Triparty Agreement.

The Zensun Notes

On 8 September 2021 and 16 September 2021, Kingwell Management has subscribed for (i) the Zensun 23 Notes in the principal amount of US$10,580,000 as part of the Flourishing Fund's Subscriptions; and (ii) the Zensun 24 Notes in the aggregate principal amount of US $9,000,000 (comprising the principal amount of US$6,500,000 as part of the Flourishing Fund's Subscriptions and the principal amount of US$2,500,000 as the Sheng Yuan's Proprietary Investment) respectively, through Sheng Yuan Securities, a wholly-owned subsidiary, as the broker.

The principal terms of the Zensun 23 Notes and the Zensun 24 Notes are set out below:

	Zensun 23 Notes	**Zensun 24 Notes**
Issue date of the Notes:	13 September 2021	23 September 2021
Issuer:	Zensun	Zensun
Total issue size:	US$200,000,000	US$160,000,000
Issue price:	100% of the principal amount of the Zensun 23 Notes	99.965% of the principal amount of the Zensun 24 Notes

Principal amount subscribed by Kingwell Management:	US$10,580,000 (for Flourishing Fund's Subscriptions)	US$9,000,000 (comprising (i) US$2,500,000 for Sheng Yuan's Proprietary Investment; and (ii) US $6,500,000 for Flourishing Fund's Subscriptions)
Maturity Date:	13 September 2023	23 April 2024

Use of proceeds: to refinance existing medium to long term offshore indebtedness, which will become due within one year

Security: guaranteed by Zensun Group Limited (as the parent guarantor) and certain subsidiaries of Zensun (as the subsidiary guarantors or the JV subsidiary guarantors (if any)) on a senior basis, subject to certain limitations

Coupon rate: 12.5% per annum on the principal amount of the Zensun 23 Notes or the Zensun 24 Notes (as applicable)

Optional redemption:

(1) At any time and from time to time prior to 13 September 2023 (for the Zensun 23 Notes) or 23 April 2024 (for the Zensun 24 Notes), Zensun may at its option redeem the Zensun 23 Notes or Zensun 24 Notes (as applicable), in whole but not in part, at a redemption price equal to 100% of the principal amount of the Zensun 23 Notes or Zensun 24 Notes (as applicable) plus the applicable premium as of, and accrued and unpaid interest (if any) to (but not including), the redemption date.

(2) At any time and from time to time prior to 13 September 2023 (for Zensun 23 Notes) or 23 April 2024 (for Zensun 24 Notes), Zensun may redeem up to 35% of the aggregate principal amount of the Zensun 23 Notes or Zensun 24 Notes (as applicable) with the net cash proceeds of one or more sales of common stock of Zensun Group Limited (as the parent guarantor) in an equity offering at a redemption price of 112.5% of the principal amount of the Zensun 23 Notes or Zensun 24 Notes (as applicable) redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Zensun 23 Notes or Zensun 24 Notes (as applicable) originally issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

Listing: listed on the Stock Exchange

The Atta Notes Purchase Agreement and the Atta Notes

The principal terms of the Atta Notes Purchase Agreement are set out below:

Date: 15 September 2021

Parties:
(i) Atta Asset, as the issuer
(ii) Kingwell Management, as the subscriber

Subscription amount: US$10,000,000

Pursuant to the Atta Notes Purchase Agreement, Atta Asset issued to Kingwell Management the Atta Notes on 15 September 2021 on the following principal terms:

Issuer: Atta Asset

Noteholder: Kingwell Management

Principal amount: US$20,000,000

Maturity date: (the "**Maturity Date**") 23 April 2024

Interest: Atta Asset shall pay Kingwell Management interests on the Atta Notes in accordance with the following schedule:

Date	**Amount (US$)**
7 May 2022	740,000
7 November 2022	740,000
7 May 2023	740,000
7 November 2023	740,000
7 May 2024	740,000

Repayment: Atta Asset may repay the Atta Notes in full or in part prior to the Maturity Date. The outstanding principal amount of the Atta Notes subscribed by Kingwell Management will be due and payable on the Maturity Date.

Mandatory prepayment: If at any time, Atta Asset receives any payment made in favour of Atta Asset pursuant to the TRS Arrangement other than payments of the interim exchange amounts under the TRS Arrangements, Atta Asset shall immediately prepay the Atta Notes in accordance with the Atta Notes Purchase Agreement.

Events of default: Customary events of default and breach of customary financial covenants are included. If an event of default subsists, Kingwell Management may declare by notice to the issuer that the whole of the outstanding principal of the Atta Notes (and any accrued interest) is immediately due and payable by Atta Asset to Kingwell Management.

Events of default: Customary events of default and breach of customary financial covenants are included. If an event of default subsists, Kingwell Management may declare by notice to the issuer that the whole of the outstanding principal of the Atta Notes (and any accrued interest) is immediately due and payable by Atta Asset to Kingwell Management.

Basis for Determination of the Consideration

Having considered the terms of the Zensun Notes, the Directors consider that the terms of the subscriptions of the Zensun Notes are fair and reasonable and on normal commercial terms. The terms of the Atta Notes Purchase Agreement and the Atta Notes were arrived at on commercial terms after arm's length negotiations between Atta Asset and Kingwell Management with reference to, among others, the prevailing market practice, the credit assessment towards Atta Asset as the issuer, the investment terms and the rate of return from the Atta Notes. The Directors considers that the Atta Notes Purchase Agreement and the Atta Notes are fair and reasonable and on normal commercial terms entered into based on (among others) the Group's credit assessment towards Atta Asset.

Based on the above, the Directors are of the view that the aggregate consideration for the Subscriptions as a whole is fair and reasonable and on normal commercial terms, and that the entering into of the Subscriptions are in the interests of the Company and the Shareholders as a whole.

Source of Funding

The Sheng Yuan's Proprietary Investment, being the subscription of the Zensun 24 Notes in the aggregate principal amount of US$2,500,000, was funded by the internal resources of the Company. The Flourishing Fund's Subscriptions were funded by the Kingwell Notes Proceeds.

Reasons for and the Benefits of the Subscriptions

Business Plan of the Company

As disclosed in the circular of the Company dated 28 April 2021, the Company has formulated a business plan (the "**Business Plan**") to improve both its operational and financial conditions, which primarily involves, among others, (i) the taking of various measures to optimize operating expenses of the Group; and (ii) the seeking of various new business opportunities and the business delineation between the Group and Yuanyin Group has been substantially completed as disclosed in the announcement of the Company dated 18 November 2021. Each of YSL and YAML has ceased business of Regulated Activities following their filing of relevant cessation of business notice with SFC and will not conduct any Regulated Activities as long as they are still subsidiaries of Yuanyin Holding.

As at the Latest Practicable Date, (i) Yuanyin International Limited (a wholly-owned subsidiary of Yuanyin Holding and a controlling shareholder of YSL) has entered into a sale and purchase agreement with an independent third party of the Company in relation to the disposal of YSL, and YSL will cease to be a subsidiary of Yuanyin Holding upon obtaining all relevant approvals from the SFC regarding such disposal, and YAML has surrendered the Type 4 (advisory on securities) and Type 9 (asset management) licenses held by it to the SFC; and (ii) all of the licensed corporations of the Group has meet the requirements of the SFC in relation to responsible officers. In addition, with the implementation of the Business Plan, the Group's business performance has showed positive results for the year ended 31 December 2021 despite the negative impact from COVID-19. The Company considers that the Sheng

Yuan's Proprietary Investment and the Flourishing Fund's Investment are in line with the Business Plan and in the best interest of the Company and the Shareholders as a whole, as further detailed below.

Sheng Yuan's Proprietary Investment

For the Sheng Yuan's Proprietary Investment, Kingwell Management subscribed for the Zensun 24 Notes in the principal amount of US$2,500,000 for the purpose of proprietary investment for the Group. The Directors consider that the Sheng Yuan's Proprietary Investment provides the Group with an opportunity to balance and diversify its investment portfolio, as well as to generate a stable investment return for the Group with the interest income from the Zensun 24 Notes. For the year ended 31 December 2021, the Company has recorded approximately US$84,760.27 (approximately HK$660,130.14) of interest income from its proprietary investment in the Zensun 24 Notes. The Directors consider that the Sheng Yuan's Proprietary Investment is fair and reasonable and is in the best interest of the Company and the Shareholders as a whole.

The Company considers that, as the Sheng Yuan's Proprietary Investment is expected to generate additional and stable investment return to the Group which in turn would increase the working capital for the business development of the Group, the Sheng Yuan's Proprietary Investment is in line with the Business Plan.

Flourishing Fund's Subscriptions

Kingwell Management was able to source additional leveraged funds for the subscriptions to the Zensun 24 Notes through its arrangement with Atta Assets on the purchase of the Atta Notes. The effect of the purchase of the Atta Notes, which is a leveraged note, by Kingwell Management with the corresponding part of the Kingwell Notes Proceeds is that Kingwell Management has facilitated an additional leveraged subscription of the Zensun 24 Notes as Atta Assets has also subscribed for the Zensun 24 Notes for hedging purpose. In this respect, pursuant to the terms of the Atta Notes and the Kingwell Notes, Kingwell Management is able to earn an interests spread of 2.0% per annum of its principal subscription amount of the Atta Notes (i.e., US$400,000 per annum), being the difference between its interests receivable from the Atta Notes and its interests payable under the Kingwell Notes (the "**Atta Notes Interests Spread**"), from the Subscription of the Flourishing Fund's Subscriptions. For the year ended 31 December 2021, the Group has recognized a total amount of US$0 for the Atta Notes Interests Spread as no interests is payable under the Atta Notes for the year ended 31 December 2021, The first interests payment date of the Atta Notes falls on 7 May 2022. For the six months ended 30 June 2022, the Group has recognized a total amount of US$893,000 for the Atta Notes Interests Spread.

Regarding the subscriptions of the Zensun Notes under the Flourishing Fund's Subscriptions, as all the interests received by Kingwell Management from the relevant Zensun Notes are, pursuant to the terms of the Triparty Agreement, applied for the payment of interests of the Kingwell Notes to Flourishing, as at the Latest Practicable Date, Kingwell Management and the Company have not earned any net interests from the Zensun Notes subscribed under the Flourishing Fund's Subscription. The Directors consider that the

Flourishing Fund's Subscriptions allow the Group to enhance its income stream and generate revenue, including the underwriting fees recorded by Sheng Yuan Securities in relation to the Zensun Notes and the Atta Notes Interest Spread with a minimal risk.

In addition, the Group considers that the Subscriptions, including the Flourishing Fund's Subscriptions, provide a good opportunity for the Group to establish business relationship with Flourishing and Zensun, which in turn would enable the Group to explore more business opportunities in the securities market and able to further expand its business in the future. Considering the additional revenue to be generated and the potential business opportunities for the Group following the Flourishing Fund's Subscriptions, the Company considers that the Flourishing Fund's Subscriptions are in line with the Business Plan.

(i) Limited investment risk exposure for Kingwell Management regarding the Flourishing Fund's Subscriptions

Kingwell Management, Flourishing, Sheng Yuan Investment Advisors have entered into the Triparty Agreement on 11 September 2021 in relation to, among others, certain arrangements in relation to Subscriptions and the seniority regarding the payment obligations of Kingwell Management in this regard. Pursuant to the Triparty Agreement, Kingwell Management shall apply the internal resources of the Group (being funds from Sheng Yuan Investment Advisors) and the Kingwell Notes Proceeds for the Sheng Yuan's Proprietary Investment and the Flourishing Fund's Subscriptions, respectively. Nonetheless, the financial risks associated with the subscriptions under the Flourishing Fund's Subscriptions, including but not limited to the default of the Notes, would be minimal for the Group and such risks would be borne by Flourishing in accordance with the terms of the Triparty Agreement as set out in the following paragraph.

Pursuant to the terms of the Triparty Agreement, among others:

(i) the obligations of Kingwell Management to Sheng Yuan Investment Advisors regarding the Sheng Yuan's Proprietary Investments are senior to any existing and future obligations of Kingwell Management to Flourishing regarding the Kingwell Notes. In other words, all proceeds received or to be received by Kingwell Management from the Subscriptions (including the subscriptions under the Sheng Yuan's Proprietary Investment and, if required, the Flourishing Fund's Subscriptions) shall first be applied for fulfilment of Kingwell Management's payment obligations to Sheng Yuan Investment Advisors in relation to the Sheng Yuan's Proprietary Investments in full (including the payment of interests and repayment of principal (as applicable) regarding the Sheng Yuan's Proprietary Investments), and the remaining proceeds (if any, after any taxes and relevant costs and expenses) to be applied for fulfilment of Kingwell Management's payment obligations to Flourishing (including the payment of interests and repayment of principal (as applicable) regarding the Kingwell Notes);

(ii) Kingwell Management shall only make the scheduled interest and/or principal payments under the Kingwell Notes to Flourishing after Kingwell Management actually received the relevant proceeds from the Flourishing Fund's Subscriptions;

(iii) regarding the Flourishing Fund's Subscriptions, (a) if the Net Value Ratio of the Zensun 23 Notes or the Zensun 24 Notes is at any time below 92%, Flourishing shall promptly (on demand by Kingwell Management) deposit an amount demanded by Kingwell Management to a designated account which may be used by Kingwell Management to satisfy its obligation due and payable under (among others) the Kingwell Notes; and (b) if the Net Value Ratio of the Zensun 23 Notes or the Zensun 24 Notes is below 90%, Kingwell Management has the right to dispose of any of the Flourishing Fund's Subscriptions in its sole and absolute discretion; and

(iv) Flourishing agrees and acknowledge that its recourse against Kingwell Management in respect of its liabilities and obligations to Kingwell Management or any other creditor under the Notes are solely limited to the proceeds actually received by Kingwell Management from its direct or indirect investments in the Notes (for the avoidance of doubt, whether or not there is any event of default under or in respect of the Notes), and it shall not be an event of default under the Kingwell Notes if any scheduled interests or principal payment thereunder is not made as a result of Kingwell Management not actually receiving the proceeds (directly or indirectly) from the Notes.

In this regard, the financial risks associated with the subscriptions under the Flourishing Fund's Subscriptions would effectively be borne by Flourishing, and the risks exposure regarding the Flourishing Fund's Subscriptions for Kingwell Management and the Group has been minimized.

(ii) Revenue relating to Sheng Yuan's Proprietary Investment and Flourishing Fund's Subscriptions

(a) Underwriting fees

Sheng Yuan Securities, a wholly-owned subsidiary of the Company principally engaged in the underwriting business, was one of the underwriters for each of the Zensun 23 Notes and Zensun 24 Notes. With (i) the respective subscriptions of the Zensun Notes under the Sheng Yuan's Proprietary Investment and the Flourishing Fund's Subscriptions; and (ii) Atta Asset's subscription of Zensun 24 Notes in the principal amount of US $20,000,000 for the purpose of hedging for its risks arising from the TRS Arrangements underlying the Atta Notes, Sheng Yuan Securities has recorded approximately US $220,000 (approximately HK$1,716,000) of income of underwriting commission for the year ended 31 December 2021 for the aforementioned subscriptions of Zensun Notes by Kingwell Management and Atta Asset.

(b) Interests spread from the subscription of Atta Notes

On the other hand, as mentioned above in this section of "Reasons for and benefits of the Subscriptions — Flourishing Fund's Investment", through Kingwell Management's purchase of the Atta Notes and pursuant to the terms of the Kingwell Notes and the Atta Notes, Kingwell Management would be able to earn and retain the Atta Notes Interest Spread from the arrangement with Flourishing in relation to the subscription of the Atta Notes.

Save as disclosed in this circular, to the best of the knowledge and belief of the Directors, the Company or its connected person has not entered, or contemplated to enter, into any other arrangements, agreements or understanding (whether formal or informal and whether expressed or implied) with Flourishing, Atta Assets and Zensun respectively.

In view of the above, the Directors consider that the Subscriptions are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Status and financial impact of the Subscriptions and plan of the Company

As disclosed in the annual results announcement of the Company dated 10 May 2022 and the annual report of the Company for the year ended 31 December 2021, the Group has recorded a revenue of HK$1,199,000 (as recorded under ''other gain and loss'') attributable to the Subscriptions for the year ended 31 December 2021.

The Zensun 24 Notes in the principal amount of US$2,500,000 subscribed under Sheng Yuan's Proprietary Investment was recorded as a non-current asset of the Group valued at HK $19,797,000 (the fair value by independent valuer, as recorded under ''debt instruments held at fair value through profit or loss'') as at 31 December 2021, representing a fair value gain of approximately US$34,569 (approximately HK$269,638) since the subscription by Kingwell Management in September 2021. The Company expects the Zensun 24 Notes will generate interest income each year, payable semi-annually in arrears until maturity. As at 30 June 2022, the Group recorded an interests income of US$1,420,000 from the Zensun 24 Notes subscribed under Sheng Yuan's Proprietary Investment.

In relation to the Flourishing Fund's Subscriptions, in accordance with the Hong Kong Financial Reporting Standards and as agreed with the auditors of the Group, the relevant Notes subscribed by Kingwell Management under the Flourishing Fund's Subscriptions have not, and will not, be consolidated to the consolidated financial statements of the Group and therefore will not impact the earnings, total assets and liabilities of the Group taking into account, among others, the arrangements between Kingwell Management and Flourishing in relation to the Flourishing Fund's Subscriptions under the Triparty Agreement.

To the extent that the Group's normal operation funding needs and its liquidity requirements are being satisfied on a continuing basis, the Company plans to maintain the Sheng Yuan's Proprietary Investment and the Flourishing Fund's Subscriptions in order to continue to maintain good business relationship and to make optimal use of its capital for increasing income of the Group as part of business and its prudent investment strategy for the best interests of the Company and the Shareholders as a whole.

Information on Zensun, Flourishing and Atta Asset

Zensun is a company incorporated in Hong Kong with limited liability and listed on the Stock Exchange (stock code: 185). Zensun and the Zensun Group are principally engaged in the businesses of property development, property investment, project management and sale services.

Flourishing is a company incorporated in the British Virgin Island with limited liability and is principally engaged in investment holding. It is owned as to 100% by Ms. Huang Yanping, a non-executive director of Zensun.

Atta Asset is company incorporated under the laws of the British Virgin Islands with limited liability. It is a special purpose vehicle set up and owned by Atta Capital Limited, a company incorporated under the laws of Hong Kong and is licensed to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance, for the purpose of notes issuance. Atta Capital Limited is owned as to (i) 30.87% by Sunlight Healthcare Company Limited (a company incorporated in Hong Kong), which is ultimately owned as to 49% by Mr. Song Xin and 51 % by Mr. Yu Yang; (ii) 26% by Vento Capital Limited (a company incorporated in Hong Kong), which is ultimately owned as to 58% by Mr. Lin Bo, 27% by Mr. Chen Yingke and 15% by Mr. Wang Meng; (iii) 19.9% by Guangdong Finance Investment International Co., Limited (a company incorporated in Hong Kong), which is a wholly-owned subsidiary of Guangdong Yuecai Investment Holdings Limited Company (a company established under the laws of the PRC) and in turn is owned as to 92.116% by the People's Government of Guangdong Province (廣東省人民政府) and 7.884% by the Department of Finance of Guangdong Province (廣東省財政廳); (iv) 13.23% by Asia Sky Investment Holdings Limited (a company incorporated in the British Virgin Islands), which is ultimately wholly-owned by Mr. Di Simuyi; and (v) 10% by Joint Fortune Capital (International) Management Company Limited (a company incorporated in Hong Kong), which is ultimately owned as to 60% by Mr. Xie Ailong and 40% by Mr. Li Yiwei.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Zensun, Flourishing, Atta Asset and their respective ultimate beneficial owner(s) are Independent Third Parties.

Information on the Group, Kingwell Management and Sheng Yuan Financial Services

The Group is principally engaged in (i) discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing and money lending services, insurance broking and wealth management services; (ii) corporate finance advisory and general advisory services; (iii) fund management, discretionary portfolio management and portfolio management advisory services; (iv) provision of loans; (v) financial media services; and (vi) securities investment and trading.

Kingwell Management, a wholly-owned subsidiary of the Company, was incorporated in Hong Kong with limited liability. It is principally engaged in investment holding.

Sheng Yuan Financial Services, a wholly-owned subsidiary of the Company, was incorporated in the British Virgin Islands with limited liability. It is principally engaged in proprietary trading in Hong Kong.

C. IMPLICATIONS UNDER THE LISTING RULES

As all the Notes under the Subscriptions were subscribed by Kingwell Management and were in relation to the Zensun 23 Notes and Zensun 24 Notes and of similar nature, the corresponding principal amounts of the Subscriptions, all completed within a 12 month period, have been aggregated as if they were one transaction for the purpose of calculating the relevant percentage ratios pursuant to Rule 14.22 of the Listing Rules. As the applicable percentage ratios, on an aggregate basis, in respect of the Subscriptions at the relevant period exceed 100%, the Subscriptions technically constitute a very substantial acquisition of the Company under Rule 14.06(4) of the Listing Rules and should have been subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company acknowledges that the Subscriptions in nature technically constituted a very substantial acquisition and should have been subject to the shareholders' approval requirement as set out above. However, considering that it would be impracticable and unduly burdensome for the Company to unwind the Subscriptions, a general meeting of the Company will not be convened in this regard. This circular containing, among others, information in relation to the Subscriptions is prepared and despatched to the Shareholders for their information.

D. RECOMMENDATION

The Directors are of the view that the terms of the subscriptions of the Zensun Notes and the terms of the Atta Notes Purchase Agreement and the Atta Notes are on normal commercial terms. The Directors are of the view that the aggregate consideration for the Subscriptions as a whole is fair and reasonable and on normal commercial terms, and that the entering into of the Subscriptions are in the interests of the Company and the Shareholders as a whole. Although a general meeting will not be convened by the Company to approve the Subscriptions and the transaction contemplated thereunder, if such a general meeting was to be convened by the Company, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Subscriptions and the transaction contemplated thereunder.

E. ADDITIONAL INFORMATION

Your attention is also drawn to the financial and general information set out in the appendices to this circular.

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

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2022 are disclosed on pages 52 to 125 of the annual report of the Company for the year ended 31 December 2019, pages 52 to 115 of the annual report of the Company for the year ended 31 December 2020, pages 54 to 115 of the annual report of the Company for the year ended 31 December 2021 and pages 3 to 32 of the interim report of the Company for the six months ended 30 June 2022, respectively, all of which are published on the website of the Stock Exchange at **http://www.hkexnews.hk/**, and the website of the Company at **https://www.sinooceangroup.com/**. Quick links to such financial information are set out below:

Annual report of the Company for the year ended 31 December 2019:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042700023.pdf

Annual report of the Company for the year ended 31 December 2020:

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042900877.pdf

Annual report of the Company for the year ended 31 December 2021:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0512/2022051200296.pdf

Interim report of the Company for the six months ended 30 June 2022:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0927/2022092700447.pdf

2. INDEBTEDNESS

As at the close of business on 30 September 2022, being the latest practicable date for the purpose of preparing this statement of indebtedness of the Group prior to the printing of this circular, the Group had the following indebtedness:

Current liabilities	*HK$*
Accounts payable — securities	46,428,102
Other payables	12,858,634
Lease liabilities	4,680,240
Contract liabilities	3,890,988
Convertible Bonds	144,742,059
Total	**212,600,023**
Non-current liabilities	
Lease liability	936,681
Total	**936,681**

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 30 September 2022 the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

4. WORKING CAPITAL

The Directors, after due and careful considerations, are of the opinion that, after taking into account the financial resources presently available to the Group including the internally generated funds, the currently available banking and credit facilities, the effects of the Subscriptions and the irrevocable undertaking given by Yuanyin Holdings that (in the absence of any event of default under the Convertible 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 Convertible Bonds to conversion shares before the end of the conversion period, and in the absence of unforeseen circumstances, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As at the Latest Practicable Date, the Company is an investment holding company and the Group was principally engaged in provision of securities brokerage and financial services, asset management services, proprietary trading and trading business.

The Group considers that the Subscriptions provide a good opportunity for the Group to establish business relationship with Flourishing and Zensun, which in turn would enable the Group to explore more business opportunities in the securities market and able to further expand its business in the future.

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

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is a management discussion and analysis of the Group's results of operation for each of the three years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022. The information set out below is principally extracted from the audited annual reports for the three years ended 31 December 2019, 2020 and 2021 respectively and unaudited interim report for the six months ended 30 June 2022.

(a) For the six months ended 30 June 2022

BUSINESS AND FINANCIAL REVIEW

Financial Summary

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

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

Operation of Business Segments — Securities Brokerage and Financial Services

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

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

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

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

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

Operation of Business Segments — Asset Management

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

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

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

Operation of Business Segments — Proprietary Trading

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

Operation of Business Segments — Product Trading

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

PROSPECTS AND FUTURE PLANS

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

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

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

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

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

ACQUISITIONS AND DISPOSALS

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

FOREIGN EXCHANGE EXPOSURE

The Group's transactions are mainly denominated in Hong Kong dollars, USD and RMB. The Group has not implemented any foreign currencies hedging policies. However, the Group's management will closely monitor exchange rate movement and will take appropriate actions to reduce the risks.

CAPITAL STRUCTURE

The Directors monitor the Group's capital structure by reviewing cash flow requirements, taking into account of its future financial obligations and commitments. The capital structure of the Group comprises issued share capital and reserves attributable to Shareholders. The Directors will review the Group's capital structure regularly. There is no change in capital structure during the period.

FUNDING AND TREASURY POLICIES

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

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

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

HUMAN RESOURCES

As at 30 June 2022, the Group employed 23 employees. The remuneration policy and package of the Group's employees are maintained at market level and are reviewed annually by management. In addition to basic salary, discretionary bonuses, mandatory pension fund and medical insurance scheme, share options may also be granted to eligible employees at the discretion of the Board and are subject to the performance of the individual employees as well as the Group.

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

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

SHARE OPTIONS

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

USE OF PROCEEDS FROM THE COMPANY'S ISSUANCE OF CONVERTIBLE BONDS

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

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

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

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

Note:

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

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

(b) For the year ended 31 December 2021

BUSINESS AND FINANCIAL REVIEW

Financial Summary

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

Operation and Financial Results of Business Segments

Securities Brokerage and Financial Services

The Group provides securities brokerage and financial services via two of its subsidiaries, SYS and SYC.

SYS is licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in future contract), and Type 4 (advising on securities) regulated activities under the SFO. Through SYS, the Group provides underwriting and placing services in equity and debt capital transactions, securities and future brokerage services for securities, futures and options contracts, margin financing services, and custodian and handling services for client accounts on securities, futures, and options contracts. The fee and commission are based on certain percentage of the total transaction amounts. As at 31 December 2021, SYS had a total number of 5 employees. 2 employees are licensed as responsible officers to conduct Type 1, Type 2, and Type 4 regulated activities. 2 employees are licensed as representative to conduct both Type 1 and Type 4 regulated activities. As at 31 December 2021, SYS maintained 653 client accounts, a drop from 727 client accounts as at 31 December 2020 due to closure of inactive accounts. There was approximately HK $30.3 million in client trust bank accounts, representing a 139% increase from HK$12.6 million as at 31 December 2020. Such increase was mainly due to deposits from clients.

SYC is licensed to conduct Type 6 (advising on corporate finance) regulated activity under the SFO. SYC provides corporate advisory services, for a fee, to corporate clients for their corporate actions to ensure the client's compliance with the Listing Rules and the Takeovers Code. Such corporate actions include IPO, placing of shares and other securities, mergers and acquisitions, and business restructuring, etc. As at 31 December 2021, SYC had only 3 employee, 2 are licensed as responsible officer and 1 as representative to conduct Type 6 (advising on corporate finance) regulated activity under the SFO.

Revenue from securities brokerage and financial services during the year ended 31 December 2021 decreased by 62% to approximately HK$12.3 million (2020: approximately HK$32.5 million); segment result recorded a profit of approximately HK $6.1 million (2020: approximately HK$24.4 million). Such decrease in both revenue and profit were mainly because some clients postponed their Debt Capital Market ("**DCM**") and Equity Capital Market ("**ECM**") projects during the year under the impact of COVID-19.

Asset Management

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

As at 31 December 2021, the asset management segment had 4 employees, of which 3 are employed by SYAM and 1 by SYSAM. Among the 3 employees of SYAM, 2 are licensed as responsible officers, and 1 as representative. The employee of SYSAM is licensed as responsible officer. All responsible officers and representatives at SYAM and SYSAM are licensed to conduct Type 4 and Type 9 regulated activities under SFO.

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

Proprietary Trading

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

Product Trading

As the Group focuses on the development of financial services business and the recovery of commodity market remains slow, the Group also tried to resume its trading business during the year to expand and diversify its source of revenue. During the year ended 31 December 2021, the segment achieved a loss of approximately HK$0.2 million (2020: HK$0.04 million).

PROSPECTS AND FUTURE PLANS

During 2021, COVID-19 is still undoubtfully the biggest disruptor to not only the world's economy, but also the everyday life in almost all countries. As a result, certain measures were undertaken by the governments, including but not limited to implementation of travel restrictions, and business shutdowns.

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

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

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

ACQUISITION AND DISPOSAL

On 11 February 2021, the Company entered into a conditional sale and purchase agreement for disposal of the 100% equity interest in a subsidiary, Sheng Yuan Sino Asset Management Limited, for a cash consideration of HK$1 million. On 21 August 2021, 9% of the aforementioned equity interest were conditionally transferred to the buyer for a cash consideration of HK$90,000. The remaining 91% are still pending for completion. There were no other material acquisition or disposal during the year ended 31 December 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2021, cash and bank balances in general accounts maintained by the Group were approximately HK$69.1 million, representing an increase of approximately 99% from approximately HK$34.6 million as of 31 December 2020. Balances in trust and segregated accounts were approximately HK$30.3 million, representing an increase of approximately 139% from approximately HK$12.6 million as of 31 December 2020. Trade and other receivables and prepayments were approximately HK$28.6 million as at 31 December 2021, representing an increase of approximately 31% from approximately HK$21.8 million in 2020. Such increase is mainly due to increased receivables from asset management as due to the Group's effort to expand such businesses. Trade and other payables and accruals were approximately HK$41.8 million as at 31 December 2021 (2020: HK$15.9 million).

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

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's transactions are mainly denominated in Hong Kong dollars, USD, and RMB. The Group has not implemented any foreign currencies hedging policies. However, the Group's management will closely monitor exchange rate movement and will take appropriate actions to reduce the risks.

CAPITAL STRUCTURE

The Directors monitor the Group's capital structure by reviewing cash flow requirements 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.

FUNDING AND TREASURY POLICY

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

CONTINGENT LIABILITIES

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

DIVIDEND POLICY

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

PLEDGE OF ASSETS

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

HUMAN RESOURCES

As at 31 December 2021, the Group employed 26 employees. The remuneration policy and package of the Group's employees are maintained at market level and are reviewed annually by management. In addition to basic salary, discretionary bonuses, mandatory pension fund and medical insurance scheme, share options may also be granted to eligible employees at the discretion of the Board and are subject to the performance of the individual employees as well as the Group.

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

During the reporting period (for the year ended 31 December 2021), the Group has organized both internal and external training courses for employees. Such training courses covered topics including but not limited to industrial updates, compliance matters, occupational health, and safety, etc.

(c) For the year ended 31 December 2020

BUSINESS AND FINANCIAL REVIEW

Financial Summary

The Group's business performance has improved substantially in the year of 2020 and performed better compare to the year of 2018 and 2019, despite of the negative impact from COVID-19. For the year ended 31 December 2020, the fee and commission income of the Group substantially increased to approximately HK$44.5 million, representing 406% increase as compared with approximately HK$8.8 million for the year ended 31 December 2019. Profit for the year ended 31 December 2020 was approximately HK$12.0 million, as compared with loss of approximately HK$77.4 million of the year ended 31 December 2019. Such overturn is primarily attributable to both increase in revenue and decreases in staff costs, finance costs, and other operating expenses for the year ended 31 December 2020.

Operation and Financial Results of Business Segments

Securities Brokerage and Financial Services

The Group provides securities brokerage and financial services via two of its subsidiaries, SYS and SYC.

SYS is licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in future contract), and Type 4 (advising on securities) regulated activities under the SFO. Through SYS, the Group provides underwriting and placing services in equity and debt capital transactions, securities and future brokerage services for securities, futures and options contracts, margin financing services, and custodian and handling services for client accounts on securities, futures, and options contracts. The fee and commission are based on certain percentage of the total transaction amounts. As at 31 December 2020, SYS had a total number of 5 employees. 2 employees are licensed as responsible officers to conduct Type 1, Type 2, and Type 4 regulated activities. 2 employees are licensed as representative to conduct both Type 1 and Type 4 regulated activities. As at 31 December 2020, SYS maintained 727 client accounts, which is largely unchanged compared to the number of client accounts as at 31 December 2019. There was approximately HK$12.6 million in client trust bank accounts, representing a 27% decrease from HK$17.4 million as at 31 December 2019. Such decrease was mainly due to clients withdrawing funds out of their accounts.

SYC is licensed to conduct Type 6 (advising on corporate finance) regulated activity under the SFO. SYC provides corporate advisory services, for a fee, to corporate clients for their corporate actions to ensure the client's compliance with the Listing Rules and the Takeovers Code. Such corporate actions include IPO, placing of shares and other securities, mergers and acquisitions, and business restructuring, etc. As at 31 December 2020, SYC had only 3 employee, 2 are licensed as responsible officer and 1 as representative to conduct Type 6 (advising on corporate finance) regulated activity under the SFO.

Revenue from securities brokerage and financial services during the year ended 31 December 2020 increased significantly by 8,688% to approximately HK$32.5 million (2019: approximately HK$0.4 million); segment result recorded a profit of approximately HK$24.4 million (2019: loss of approximately HK$12.7 million). Such increase in both revenue and profit were mainly because mainly due to the Group's effort to expand its securities brokerage and financial services business, which further led to the completion of multiple Debt Capital Market and Equity Capital Market projects during the year.

Asset Management

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

As at 31 December 2020, the asset management segment had 4 employees, of which 3 are employed by SYAM and 1 by SYSAM. Among the 3 employees of SYAM, 2 are licensed as responsible officers, and 1 as representative. The employee of SYSAM is licensed as responsible officer. All responsible officers and representatives at SYAM and SYSAM are licensed to conduct Type 4 and Type 9 regulated activities under SFO.

For asset management business, as at 31 December 2020, SYAM acted as the fund manager or investment adviser for 1 funds and 3 discretionary accounts. The total assets under management of SYAM increased by nearly 692% to approximately HK$1.8 billion for the year ended 31 December 2020 (2019: approximately HK$23.8 million). During the year ended 31 December 2020, SYAM recorded segment revenue of approximately HK$12.0 million (2019: approximately HK$8.5 million), representing an increase of approximately 42%; it recorded segment profit of approximately HK$3.3 million (2019: loss of approximately HK$16.3 million). The overturn from loss to profit was mainly due to the Group's efforts to develop business opportunities within this segment, as well as to stringent cost control imposed by the Group. SYAM knows well of the dynamics in the capital market and owns experienced investment team and unique analysis and advice.

Proprietary Trading

For proprietary trading business, the SYFS Group mainly invests in the listed shares and private funds in Hong Kong market. During the years ended 31 December 2020 and 2019, as the Group has no additional investment in proprietary trading business, the segment loss from proprietary trading business was approximately HK$0.5 million (2019: HK$7.1 million). Such loss was mainly due to allocation of various operating expenses.

As the Group focuses on the development of financial services business and the recovery of commodity market remains slow, the Group has continued to suspend its trading business for the year ended 31 December 2020. The segment loss for trading business for the year ended 31 December 2020 was approximately HK$0.4 million (2019: segment loss of HK$2.2 million).

Product Trading

As the Group focuses on the development of financial services business and the recovery of commodity market remains slow, the Group has continued to suspend its product trading business for the year ended 31 December 2019. The segment loss for product trading business for the year ended 31 December 2020 was approximately HK $0.04 million (2018: segment loss of HK$2.2 million). Since the suspension of product trading, the Group has maintained only the basic operation of the office but kept looking out for appropriate business opportunity to resume the product trading business should such opportunity arise.

PROSPECTS AND FUTURE PLANS

The global outbreak of COVID-19 made 2020 a particularly unusual year, and COVID-19 is undoubtfully the biggest disruptor to not only the world's economy, but also the everyday life in almost all countries. As a result, certain measures were undertaken by the governments, including but not limited to implementation of travel restrictions, and business shutdowns.

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

The Group has formulated a business plan to enhance its financial positions, as well as to the develop its existing business operations. For securities brokerage business, the Group will utilize its expertise and network to secure DCM and ECM deals in order to generate underwriting income. The Group will also step up its efforts in asset management business by establishing additional funds of various types, developing more financial products, and expanding its customer base to keep abreast of the market trends by focusing on high-valued customers and potential professional investor groups. In addition, the Group will continue to expand its financial consultancy businesses including corporate finance advisory services and mergers and acquisitions transactions. Furthermore, the management team is dedicated to continually taking active steps to control the Group's operating costs and improve operating efficiency in order to generate greater returns to is shareholders. A shareholder's loan in the principal amount of HK $99,800,000 is owing by the Group to Yuanyin Holdings Limited ("**YHL**"). To further ease the Group's financial and liquidity burden and allow time for the Company to develop its business with the implementation with its new business plan, the parties have agreed to extend the maturity date of the shareholder's loan of HK$99,800,000 to 22 January 2023 with interest rate of 5% per annum.

Further, the management team has also taken active steps to obtain additional financial resources to provide additional capital for future expansion of its underwriting and other businesses. Yuanyin International Limited also signed a letter of commitment in favour of the Company pursuant to which a total loan facility of up to HK$50 million can be made available to the Company at the interest rate of 5% per annum for a term of one year. In addition, Yuanyin International Limited has signed a letter of commitment to provide an additional facility of up to HK$50 million in order to provide sufficient funding support to satisfy the Company's working capital and other financing requirements during the 12 months from 29 March 2021.

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

ACQUISITION AND DISPOSAL

There was no material acquisition or disposal during the year ended 31 December 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, cash and bank balances in general accounts maintained by the Group were approximately HK$34.6 million, representing an increase of approximately 16% from approximately HK$29.8 million as at 31 December 2019. Balances in trust and segregated accounts were approximately HK$12.6 million (2019: HK$17.4 million). Trade and other receivables and prepayments were approximately HK $21.8 million as at 31 December 2020 (2019: HK$4.1 million), which mainly represented increased receivables from asset management and securities brokerage as due to the Group's effort to expand such businesses. Trade and other payables and accruals were approximately HK$15.9 million as at 31 December 2020 (2019: HK$18.7 million), which was due to decrease in trade payable from securities brokerage.

The Group's current assets and current liabilities as at 31 December 2020 were approximately HK$69.1 million (2019: HK$52.1 million) and approximately HK$21.0 million (2019: HK$121.2 million), respectively. The borrowings as at 31 December 2020 were approximately HK$105.0 million (2019: HK$100.1 million). The gearing ratio of the Group, measured as total debts to total assets, was approximately 131% as at 31 December 2020 (2019: 153%). As at 31 December 2020, the Group recorded net liabilities of approximately HK$51.0 million (2019: HK$62.8 million). During the year ended 31 December 2020, the Group financed its operations with internally generated cash flow and funds from borrowings.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's transactions are mainly denominated in Hong Kong dollars, United States dollars ("**USD**"), and Renminbi ("**RMB**"). The Group has not implemented any foreign currencies hedging policies. However, the Group's management will closely monitor exchange rate movement and will take appropriate actions to reduce the risks.

CAPITAL STRUCTURE

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

FUNDING AND TREASURY POLICY

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

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the end of the reporting period, on 11 February 2021, a subsidiary of the Company entered into a conditional sale and purchase agreement for disposal of the 100% equity interest in a subsidiary, Sheng Yuan Sino Asset Management Limited, for a cash consideration of HK$1 million.

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 2020, the Group did not have any pledged assets.

HUMAN RESOURCES

As at 31 December 2020, the Group employed 28 employees. The remuneration policy and package of the Group's employees are maintained at market level and are reviewed annually by management. In addition to basic salary, discretionary bonuses, mandatory pension fund and medical insurance scheme, share options may also be granted to eligible employees at the discretion of the Board and are subject to the performance of the individual employees as well as the Group.

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

During the reporting period (for the year ended 31 December 2020), the Group has organized both internal and external training courses for employees. Such training courses covered topics including but not limited to industrial updates, compliance matters, occupational health and safety, etc.

(d) For the year ended 31 December 2019

BUSINESS AND FINANCIAL REVIEW

Financial Summary

For the year 2019, the Group recorded fee and commission income of approximately HK$8.8 million, representing 72% decrease as compared with approximately HK$31.7 million for 2018. Interest income of the Group decreased to approximately HK$0.04 million in 2019, representing 98% decrease as compared with approximately HK$2.4 million for 2018. This is due to decreased income from money lending business. Other income of the Group increased to approximately HK$0.6 million in 2019, representing 193% increase as compared with approximately HK$0.2 million for 2018. Thus, total revenue of the Group substantially decreased to approximately HK$9.5 million in 2019, representing 72% decreases as compared with approximately HK$34.4 million in 2018.

Loss for the year ended 31 December 2019 was approximately HK$77.4 million, as compared with loss of approximately HK$81.6 million of the year ended 31 December 2018. Such decrease in loss is primarily attributable to the decreases in staff costs, the decreases in fair value loss of held for trading investments, the absence of impairment losses on trading rights and the absence of losses on disposal of subsidiaries for the year ended 31 December 2019. Basic loss per share for 2019 is approximately 2.02 cents, compared with 2.28 cents for 2018. Diluted loss per share for 2019 is approximately 2.02 cents, compared with 2.28 cents for 2018.

Operation and Financial Results of Business Segments

Securities Brokerage and Financial Services

The Group provides securities brokerage and financial services via two of its subsidiaries, SYS and SYC.

SYS is licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in future contract), and Type 4 (advising on securities) regulated activities under the SFO. Through SYS, the Group provides underwriting and placing services in equity and debt capital transactions, securities and future brokerage services for securities, futures and options contracts, margin financing services, and custodian and handling services for client accounts on securities, futures, and options contracts. The fee and commission are based on certain percentage of the total transaction amounts. As at 31 December 2019, SYS had a total number of 5 employees. 2 employees are licensed as responsible officers to conduct Type 1, Type 2, and Type 4 regulated activities. 1 employee is licensed as responsible officers to conduct Type 1 regulated activities and as representative to conduct Type 4 regulated activities. 1 employee is licensed as representative to conduct both Type 1 and Type 4 regulated activities. As at 31 December 2019, SYS maintained 718 client accounts, which is largely unchanged compared to the number of client accounts as at 31 December 2018. There was approximately HK$17.4 million in client trust bank accounts, representing a 62% decrease from HK$45.4 million as at 31 December 2018. Such decrease was mainly due to clients withdrawing funds out of their accounts as a result of the departure of a key senior management team in the securities brokerage and financial services business.

SYC is licensed to conduct Type 6 (advising on corporate finance) regulated activity under the SFO. SYC provides corporate advisory services, for a fee, to corporate clients for their corporate actions to ensure the client's compliance with the Listing Rules and the Takeovers Code. Such corporate actions include IPO, placing of shares and other securities, mergers and acquisitions, and business restructuring, etc. As at 31 December 2019, SYC had only 1 employee, who is licensed as responsible officer to conduct Type 6 (advising on corporate finance) regulated activity under the SFO. Regulation requires SYC to have a minimum number of 2 responsible officers in order to contact business. The Group has been actively seeking qualified candidates to fill the vacancy.

Revenue from securities brokerage and financial services during the year ended 31 December 2019 decreased significantly by 90% to approximately HK$0.4 million (2018: approximately HK$4.1 million); segment result recorded a loss of approximately HK $12.7 million (2018: loss of approximately HK$7.8 million). Such decrease in revenue and increase in loss were mainly because (i) the Group was unable to provide desired securities margin financing services to its customers and the severe restrictions in acting as the underwriter in equity and debt fund-raising exercises for the year, due to the low liquid capital maintained by SYS; (ii) the departure of two responsible officers and three other licensed representatives in the fourth quarter of 2017 and certain clients which they procured to their new firms; (iii) SYC was not able to conduct business due to insufficient number of responsible officers licensed to conduct type 6 regulated activity as required by SFO due to the departure of a responsible officer in August 2019.

Asset Management

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

As at 31 December 2019, the asset management segment had 6 employees, of which 4 are employed by SYAM and 2 by SYSAM. Among the 4 employees of SYAM, 2 are licensed as responsible officers, and 1 as representative. Both employees of SYSAM are licensed as responsible officers. All responsible officers and representatives at SYAM and SYSAM are licensed to conduct Type 4 and Type 9 regulated activities under SFO.

As at 31 December 2019, SYAM acted as the fund manager or investment adviser for 3 funds and 2 discretionary accounts (2018: 8 funds and 5 discretionary accounts). The total assets under management of SYAM decreased by nearly 100% to approximately HK$23.8 million for the year ended 31 December 2019 (2018: approximately HK$7.9 billion). During the year ended 31 December 2019, SYAM recorded segment revenue of approximately HK$8.5 million (2018: approximately HK$30.1 million), representing a decrease of approximately 72%; it recorded segment loss of approximately HK$16.3 million (2018: profit of approximately HK$2.8 million). The significant decrease in revenue and profit was mainly due to (i) the significant decrease in management fee and investment advisory fee as a result of the liquidation of some funds upon the completion of their investment projects and (ii) the decrease in the number of discretionary accounts under management due to the departure of key responsible officers, which resulted in a significant drop in total asset under management and thus the management fee income. In addition, due to tremendous uncertainties, some potential customers are awaiting better opportunities and are deferring their investment decision. SYAM and SYSAM know well of the dynamics in the capital market and possesses experienced investment team and unique analysis and advice.

Proprietary Trading

For proprietary trading business, Sheng Yuan Financial Services Group Limited ("**SYFS**") mainly invests in the listed shares and private funds in Hong Kong market. During the years ended 31 December 2019, the segment loss from proprietary trading business was approximately HK$7.1 million (2018: HK$31.2 million). As the Group has no additional investment in proprietary trading business, such loss was mainly due to decrease in the market value of shares and private funds held by SYFS owing to under-performance of the stock market.

As at 31 December 2019, the fair value of the investments held was HK$26,000, accounting for approximately 0.04% of the Group's total assets. As at 31 December 2018, the fair value of the investment held was approximately HK$5.2 million, accounting for approximately 3.5% of the Group's total assets. For the year ended 31 December 2019, the Group recorded a loss of HK$5.6 million (2018: HK$28.2 million) from the change in fair value of investment.

Product Trading

As the Group focuses on the development of financial services business and the recovery of commodity market remains slow, the Group has continued to suspend its product trading business for the year ended 31 December 2019. The segment loss for product trading business for the year ended 31 December 2019 was approximately HK $2.2 million (2018: segment loss of HK$0.3 million), representing an increase of HK$1.9 million, which was due to the adminstrative cost (such as office rental, business registration fee and employee remunerations). Since the suspension of product trading, the Group has maintained only the basic operation of the office with one staff to look out for appropriate business opportunity to resume the product trading business should such opportunity arise.

PROSPECTS AND FUTURE PLANS

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

Looking forward to 2020, the market conditions for Hong Kong remain uncertain and continue to face new challenges. Hong Kong will be exposed to increasing risks and difficulties, mainly from the relentless social unrest campaigns resulted in unfavourable investment sentiment in the local property market and other sectors, weighing on the Hong Kong and mainland China economies, and further deterring investors, changing monetary policies among major economies and economic downturn in emerging markets.

Since January 2020, the PRC and many other parts of the world have encountered an outbreak of novel coronavirus ("**COVID-19**"). As a result, certain measures were undertaken by the governments including but not limited to implementation of business and travel restrictions. The Group will keep continuous attention on the change of situation and make timely responses and adjustments in the future. So far, COVID-19 already resulted in unfavorable investment sentiment, weighing on the Hong Kong and mainland China economies, and further deterring investors, changing monetary policies among major economies and economic downturn in emerging markets. Due to the abovementioned factors, the Directors expect that there are still existences of material uncertainties and adverse effects on the overall business of our Group with the weak economic conditions in Hong Kong and mainland China. To cope with the challenging environments, the Group will continue to evaluate development opportunities to strengthen our competitive advantage through deploy more resources for seizing this market potential and broaden its revenue so as to generate value for Shareholders. The Directors are confident to achieve sustainable growth from 2020 and bring greater returns to our Shareholders.

In such context, the Group has formulated plans to further expand its existing business operations. Licensed by Securities and Futures Commission, the Group provides one-stop financial services to enterprises as well as HNWI and UHNWI from mainland China, including investment banking and asset management. Through our unique network, the Group will be focusing on providing investment banking services to regional financial institutions, investment platform of both provincial and local governments, and regional leading real estate companies, to connect such enterprises with global funds via Hong Kong market, through either bond financing or equity financing. With potential access to HNWI and UHNWI through our partners, the Group will launch various funds in 2020 to address the demand of oversea investment opportunities from mainland China financial institution, as well as to address needs the global asset allocation from HNWI and UHNWI from mainland China.

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

The Group has also recently implemented measures to significantly reduce its operating expenses by (i) moving to smaller office from 26 August 2019 onwards, which resulted in more than 50% drop in monthly rental expenses and management fees; (ii) reducing the number of non-essential staff, which would result in lower staff expenses, as well as corresponding decrease in electricity expense, cleaning expenses, insurance and telephone expenses; and (iii) adopting strict cost control policies from February 2020, under which various administrative expenses have been substantially reduced.

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

ACQUISITION AND DISPOSAL

There was no material acquisition or disposal during the year ended 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, cash and bank balances in general accounts maintained by the Group were approximately HK$29.8 million, representing a decrease of approximately 37% from approximately HK$47.3 million as at 31 December 2018. Such cash and bank balances are mainly held in Hong Kong dollars, United States dollars and Reminbi. Balances in trust and segregated accounts were approximately HK$17.4 million (2018: HK$45.4 million). Trade and other receivables and prepayments were approximately HK$4.1 million as at 31 December 2019 (2018: HK$40.1 million), which mainly represented decreased receivables from money lending business and securities brokerage due to the suspension of the money lending business. Trade and other payables and accruals were approximately HK$18.7 million as at 31 December 2019 (2018: HK $54.2 million), as a result of the decrease in client trust accounts value.

The Group's current assets and current liabilities as at 31 December 2019 were approximately HK$52.1 million (2018: HK$140.6 million) and approximately HK$121.2 million (2018: HK$135.1 million) respectively. The borrowings as at 31 December 2019 were approximately HK$100.1 million (2018: HK$80.4 million). The majority of the Group's borrowings are denominated in Hong Kong dollars and at fixed interest rates. The gearing ratio of the Group, measured as total debts to total assets, was approximately 153% as at 31 December 2019 (2018: 54%). The increases was primarily due to the increase in borrowings of the Group and a reduction in the assets of the Group due to the reduction in value of client accounts and trade and other receivables and prepayments as mentioned above. As at 31 December 2019, the Group recorded net liabilities of approximately HK$62.8 million (2018: net asset of approximately HK$14.6 million primarily as a result of the continued operating losses recorded by the Group in recent years). During the year ended 31 December 2019, the Group financed its operations with internally generated cash flow and funds from borrowings.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's transactions are mainly denominated in Hong Kong dollars, USD, and RMB. The Group has not implemented any foreign currencies hedging policies. However, the Group's management will closely monitor exchange rate movement and will take appropriate actions to reduce the risks.

CAPITAL STRUCTURE

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

FUNDING AND TREASURY POLICIES

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

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 14 February 2020, Sheng Yuan Asset Management Limited, a wholly-owned subsidiary of the Company, has entered into certain investment advisory agreements with Yuanyin International Limited and Yuanyin Asset Management Limited.

As at 14 February 2020, Yuanyin Holdings Limited held 26.47% of the issued share capital of the Company and is a substantial shareholder. Each of Yuanyin International Limited and Yuanyin Asset Management Limited is a wholly-owned subsidiary of Yuanyin Holdings Limited, and is therefore each a connected person of the Company. Accordingly, the transactions contemplated under each of the investment advisory agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Further detailed terms in relation to the new investment advisory agreements have been set out in the Company's announcement dated 14 February 2020.

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 bye-laws 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 2019, the Group did not have any pledged assets.

HUMAN RESOURCES

As at 31 December 2019, the Group employed 34 employees. The remuneration policy and package of the Group's employees are maintained at market level and are reviewed annually by management. In addition to basic salary, discretionary bonuses, mandatory pension fund and medical insurance scheme, share options may also be granted to eligible employees at the discretion of the Board and are subject to the performance of the individual employees as well as the Group.

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

During the reporting period (for the year ended 31 December 2019), the Group has organized both internal and external training courses for employees. Such training courses covered topics including but not limited to industrial updates, compliance matters, occupational health and safety, etc.

1. 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 jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

II. DIRECTORS' INTERESTS

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept under section 352 of the SFO, or required to be notified to the Company and the Stock Exchange in accordance with the Model Code.

III. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company and as required by Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company or as recorded in the register required to be kept under Section 336 of the SFO, the interests or short positions of persons other than the Directors and chief executive of the Company in the Shares and underlying Shares of the Company were as follows:

Name of Substantial Shareholders	Nature of Interest	Total Number of Shares	Approximate Percentage of Shareholding in Issued Share Capital of the Company as at the Latest Practicable Date
Yuanyin Holdings Limited [(1)]	Beneficial owner	101,100,000(L)	26.47%
	Interest of corporation controlled	1,917,000(L)	0.50%
Zhao Jian Yun	Beneficial owner	35,714,286(L)	9.35%
Meng Hao Xiang	Interest of spouse	35,714,286(L)	9.35%
Shao Yong Chao	Beneficial owner	30,000,000(L)	7.85%
Cao Hai Xia	Interest of spouse	30,000,000(L)	7.85%

Notes:

(1) As at the Latest Practicable Date, the 103,017,000 Shares which Yuanyin Holdings was interested in under Part XV of the SFO include (i) 101,100,000 Shares directly held by Yuanyin Holdings; and (ii) 1,917,000 Shares indirectly held through Yuanyin International Limited (a wholly-owned subsidiary of Yuanyin Holdings).

(2) (L) — long position.

Save as disclosed above, as at the Latest Practicable Date, the Directors had not been notified by any other persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

IV. DIRECTORS' SERVICE CONTRACTS

Mr. Zhou Quan and Mr. Zhao Yun, each being an executive Director of the Company, have entered into contracts of appointment with the Company with no fixed terms, but may be terminated by either party giving three months' written notice or payment in lieu.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which will not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

V. COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors or their respective close associates was considered by the Company to have interests in businesses which compete with, or might compete with, either directly or indirectly, the businesses of the Group as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder.

VI. DIRECTORS' INTERESTS IN ASSETS OF THE GROUP OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2021 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Save for the Convertible Bonds Subscription Agreement, particulars of which are disclosed in the announcements of the Company dated 29 April 2021 and 21 May 2021, and the circular of the Company dated 29 April 2021, in which Mr. Ma Baojun, Mr. Zhao Yun and Mr. Huang Shuanggang, who are Directors nominated by Yuanyin Holdings and each a director of Yuanyin Holdings, were deemed to have a material interest in the Convertible

Bonds Subscription Agreement, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting at the date of this circular, which was significant to the business of the Group.

VII. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Company were made up.

VIII. MATERIAL CONTRACTS

During the two years immediately preceding the Latest Practicable Date, the following contract (not being contracts entered into in the ordinary course of business of the Group) was entered into by the Company and/or members of the Group and is or may be material to the Group:

(i) the Convertible Bonds Subscription Agreement;

(ii) the Kingwell Notes Subscription Agreement;

(iii) the Triparty Agreement; and

(iv) the Atta Notes Purchase Agreement.

IX. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened against any member of the Group.

X. MISCELLANEOUS

(i) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company in Hong Kong is situated at 26/F, 238 Des Voeux Road Central, Sheung Wan, Hong Kong.

(ii) The company secretary of the Company is Mr. Chiu Ming King, an executive director of corporate services of Vistra Corporate Services (HK) Limited. Mr. Chiu is a fellow member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators.

(iii) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(iv) In the event of any inconsistency, the English version of this circular shall prevail over the Chinese version to the extent of such inconsistency.

XI. DOCUMENTS ON DISPLAY

Copies of the following documents will be on display and will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (https://www.shengyuanhk.com) for a period of 14 days from the date of this circular:

(i) the Kingwell Notes Subscription Agreement;

(ii) the Triparty Agreement; and

(iii) the Atta Notes Purchase Agreement.