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盛源控股有限公司

SHENG YUAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 851)

PROPOSED CONVERSION OF CONVERTIBLE BONDS AND APPLICATION FOR WHITEWASH WAIVER

Independent Financial Adviser to the Independent Board Committee



PROPOSED CONVERSION OF THE CONVERTIBLE BONDS

On 13 February 2023, the Company received a notice from Yuanyin Holdings of its intention to exercise the conversion rights in respect of the Convertible Bonds in full in the outstanding aggregate principal amount of HK\$150 million, subject to the Conversion Conditions.

APPLICATION FOR THE WHITEWASH WAIVER

As at the date of this announcement, Yuanyin Holdings is a substantial Shareholder which, together with parties acting in concert with it, is interested in (i) 103,017,000 Shares, representing approximately 26.97% of the total issued share capital of the Company; and (ii) the Convertible Bonds in an aggregate outstanding principal amount of HK\$150 million.

Upon full conversion of the Convertible Bonds, 500,000,000 Conversion Shares will be issued to Yuanyin Holdings and therefore, Yuanyin Holdings and parties acting in concert with it will hold an aggregate of 603,017,000 Shares. The aggregate shareholding interests of Yuanyin Holdings and parties acting in concert with it will be increased from approximately 26.97% to approximately 68.37% of the issued share capital of the Company (as enlarged by the issuance of the Conversion Shares pursuant to the conversion of Convertible Bonds, assuming there is no other change in the issued share capital of the Company save for the issuance of such Conversion Shares).

Accordingly, Yuanyin Holdings would be obliged to make a mandatory general offer pursuant to Rule 26.1 of the Takeovers Code for all the issued Shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) not already owned or agreed to be acquired by Yuanyin Holdings and parties acting in concert with it as a result of the allotment and issuance of the Conversion Shares to Yuanyin Holdings by the Company, unless the Whitewash Waiver is granted by the Executive.

In this regard, an application will be made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be conditional upon, among others, the conditions that the respective resolutions relating to the Proposed Conversion of the Convertible Bonds on the one hand, and the Whitewash Waiver on the other hand, being approved by more than 50% and at least 75% respectively, of the votes cast by the Independent Shareholders at the SGM by way of poll.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors who have no direct or indirect interest in the Proposed Conversion of the Convertible Bonds, the Whitewash Waiver and the transactions contemplated thereunder, namely Mr. Zhang Jinfan, Ms. Huang Qin and Mr. Guo Yaoli, has been formed to advise the Independent Shareholders with regard to the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver. The Independent Board Committee excludes the non-executive Directors, namely Mr. Ma Baojun and Mr. Huang Shuanggang, who are also directors of Yuanyin Holdings.

Gram Capital has been appointed by the Board with the Independent Board Committee's approval as the Independent Financial Adviser to advise the Independent Board Committee as to the fairness and reasonableness of the terms of the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver and as to voting by the Independent Shareholders.

GENERAL

The SGM will be convened to approve, among other things, the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver by way of poll. Yuanyin Holdings and parties acting in concert with it and Shareholders who are involved in, or interested in, the Proposed Conversion of the Convertible Bonds and/or the Whitewash Waiver shall abstain from voting in respect of the resolutions at the SGM.

The Circular containing, among other things, (i) information about the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver; (ii) the letter from the Independent Board Committee; (iii) the recommendations from Gram Capital on the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver; and (iv) a notice convening the SGM, is expected to be despatched to the Shareholders on or before 6 March 2023 in accordance with the Takeovers Code.

Warning: The Whitewash Waiver is subject to the approval of the Executive and the Independent Shareholders at the SGM. The Executive and the Independent Shareholders may or may not approve the Whitewash Waiver. The Convertible Bonds may or may not be converted depending on whether the Whitewash Waiver is approved. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and actions that they should take.

BACKGROUND

References are made to (i) the Convertible Bonds Announcements and the Convertible Bonds Circular in relation to, among others, the issuance of the Convertible Bonds; and (ii) the Capital Reorganization Announcements and the Capital Reorganization Circular in relation to, among others, the adjustment of Conversion Price of the Convertible Bonds following the Share Consolidation.

PROPOSED CONVERSION OF THE CONVERTIBLE BONDS

On 13 February 2023, the Company received a notice from Yuanyin Holdings of its intention to exercise the conversion rights in respect of the Convertible Bonds in full in the outstanding aggregate principal amount of HK\$150 million, subject to the Conversion Conditions.

CONVERSION CONDITIONS OF THE CONVERTIBLE BONDS

According to the terms and conditions of the Convertible Bonds, the conversion of the Convertible Bonds is subject to fulfillment of the following conditions precedent (the “**Conversion Conditions**”):

- (i) the Listing Committee having granted (either unconditional or subject only to conditions to which Yuanyin Holdings does not reasonably object) the listing of and permission to deal in, the Conversion Shares;
- (ii) with respect to Yuanyin Holdings’ exercise of its conversion right as a holder of the Convertible Bonds:
 - (a) the Whitewash Waiver being granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations on Yuanyin Holdings to make a mandatory general offer for all the issued Shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than those already owned or agreed to be acquired by Yuanyin Holdings and parties acting in concert with it as a result of the Company allotting and issuing of the Conversion Shares (if required) and not having been withdrawn;
 - (b) the respective resolutions relating to the Proposed Conversion of the Convertible Bonds on the one hand, and the Whitewash Waiver on the other hand, being approved by more than 50% and at least 75% respectively, of the votes cast by the Independent Shareholders at the SGM by way of poll;
 - (c) the granting of the approval from the SFC in relation to the change of substantial shareholder(s) (as defined in the SFO) of each of the licensed corporations within the Group upon the issuance of the Conversion Shares; and
- (iii) the public float of the Shares having not fallen below the minimum requirement under Rule 8.08(1)(a) of the Listing Rules or as required by the Stock Exchange immediately upon such conversion.

As disclosed on page 22 of the Convertible Bonds Circular, the conversion of the Convertible Bonds is also subject to completion of the Capital Reorganization which involves, among others, a reduction of the par value of each of the issued existing shares from HK\$0.05 per share to HK\$0.01 per share of the Company. The Capital Reorganization has been completed and became effective on 26 September 2022.

In relation to condition (ii)(c) above, the relevant licensed corporations within the Group include: Sheng Yuan Capital (Hong Kong) Limited (licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO), Sheng Yuan Sino Asset Management Limited (licensed to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO), Sheng Yuan Securities Limited (licensed to carry out type 1 (dealing in securities), type 2 (dealing in future contracts) and type 4 (advising on securities) regulated activities under the SFO) and Sheng Yuan Asset Management Limited (licensed to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO). Application in relation to the change of substantial shareholder(s) (as defined in the SFO) of each of the aforementioned licensed corporations within the Group has been made by Yuanyin Holdings to the SFC on 15 November 2022.

The Conversion Conditions cannot be waived by any party. Yuanyin Holdings does not reserve the right to waive condition (ii)(a) and condition (ii)(b) above. If condition (ii)(a) and/or condition (ii)(b) above is not fulfilled, the conversion of the Convertible Bonds will not take place and the notice from Yuanyin Holdings of its intention to exercise the conversion rights in respect of the Convertible Bonds will be deemed to be withdrawn.

As at the date of the announcement, the Listing Committee has conditionally granted (subject to allotment) and has not withdrawn or revoked the approval of listing of and permission to deal in all the Conversion Shares which may fall to be allotted and issued upon the exercise of the conversion rights pursuant to Convertible Bonds. Save for condition (i) above and the completion of the Capital Reorganization, none of the Convertible Conditions have been fulfilled as at the date of this announcement.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the issuance of the Conversion Shares upon full conversion of the Convertible Bonds (assuming that there will be no other change in the issued share capital of the Company):

Shareholders	As at the date of this announcement		Immediately after the issuance of the Conversion Shares upon full conversion of the Convertible Bonds	
	Number of Shares	Approximate %	Number of Shares	Approximate %
<i>Yuanyin Holdings and parties acting in concert with it</i>				
Yuanyin Holdings ⁽¹⁾	101,100,000	26.47	601,100,000	68.15
Yuanyin International Limited ⁽¹⁾	<u>1,917,000</u>	<u>0.50</u>	<u>1,917,000</u>	<u>0.22</u>
Subtotal	<u>103,017,000</u>	<u>26.97</u>	<u>603,017,000</u>	<u>68.37</u>
<i>Public Shareholders</i>				
Ms. Zhao Jian Yun ⁽²⁾	35,714,286	9.35	35,714,286	4.05
Mr. Shao Yong Chao ⁽³⁾	30,000,000	7.85	30,000,000	3.40
Other public Shareholders	<u>213,239,256</u>	<u>55.83</u>	<u>213,239,256</u>	<u>24.18</u>
Subtotal	<u>278,953,541</u>	<u>73.03</u>	<u>278,953,541</u>	<u>31.63</u>
Total	<u>381,970,541</u>	<u>100%</u>	<u>881,970,541</u>	<u>100%</u>

Notes:

- (1) As at the date of this announcement, 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) Ms. Zhao Jian Yun is a PRC national and has extensive experience in investing in listed companies. As at the date of this announcement, Ms. Zhao Jian Yun is a third party shareholder independent of the Company. The Shares held by Ms. Zhao Jian Yun are considered to be in public hands in accordance with Rule 8.24 of the Listing Rules.

- (3) Mr. Shao Yong Chao is a PRC national and has extensive experience in investing in listed companies. As at the date of this announcement, Mr. Shao Yong Chao is a third party shareholder independent of the Company. The Shares held by Mr. Shao Yong Chao are considered to be in public hands in accordance with Rule 8.24 of the Listing Rules.
- (4) None of the Directors holds any Shares as at the date of this announcement.

APPLICATION FOR THE WHITEWASH WAIVER

As at the date of this announcement, Yuanyin Holdings is a substantial Shareholder which, together with parties acting in concert with it, is interested in (i) 103,017,000 Shares, representing approximately 26.97% of the total issued share capital of the Company; and (ii) the Convertible Bonds in an aggregate outstanding principal amount of HK\$150 million.

Upon full conversion of the Convertible Bonds, 500,000,000 Conversion Shares will be issued to Yuanyin Holdings and therefore, Yuanyin Holdings and parties acting in concert with it will hold an aggregate of 603,017,000 Shares. The aggregate shareholding interests of Yuanyin Holdings and parties acting in concert with it will be increased from approximately 26.97% to approximately 68.37% of the issued share capital of the Company (as enlarged by the issuance of the Conversion Shares pursuant to the conversion of Convertible Bonds, assuming there is no other change in the issued share capital of the Company save for the issuance of such Conversion Shares).

Accordingly, Yuanyin Holdings would be obliged to make a mandatory general offer pursuant to Rule 26.1 of the Takeovers Code for all the issued Shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) not already owned or agreed to be acquired by Yuanyin Holdings and parties acting in concert with it as a result of the allotment and issuance of the Conversion Shares to Yuanyin Holdings by the Company, unless the Whitewash Waiver is granted by the Executive.

In this regard, an application will be made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be conditional upon, among others, the conditions that the respective resolutions relating to the Proposed Conversion of the Convertible Bonds on the one hand, and the Whitewash Waiver on the other hand, being approved by more than 50% and at least 75% respectively, of the votes cast by the Independent Shareholders at the SGM by way of poll.

INFORMATION OF THE GROUP

The Company is a company incorporated in Bermuda with limited liability. The Company, together with its subsidiaries, is a Hong Kong based institution providing a wide range of financial services. The Group principally conducts businesses in two business segments: (i) securities brokerage and financial services and (ii) asset management.

The following is a summary of the financial results of the Group for (i) each of the six months ended 30 June 2022 and 30 June 2021 (as extracted from the unaudited financial statements set out in the 2022 interim report of the Company and the 2021 interim report of the Company); and (ii) each of the years ended 31 December 2021 and 31 December 2020 (as extracted from the audited financial statement set out in the 2021 annual report of the Company and the 2020 annual report of the Company):

	Six months ended 30 June		Year ended 31 December	
	2022	2021	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	42,588	17,955	43,306	44,549
Profit/(Loss) before income tax/ taxation	9,102	3,924	10,358	14,473
Income tax expense/Taxation	(4,450)	(2,746)	(5,708)	(2,467)
Profit/(Loss) for the period	4,652	1,178	4,650	12,006

The following is a summary of the financial positions of the Group as at (i) 30 June 2022 and 30 June 2021 (as extracted from the unaudited financial statements set out in the 2022 and 2021 interim reports of the Company); and (ii) 31 December 2021 and 31 December 2020 (as extracted from the audited financial statement set out in the 2021 and 2020 annual reports of the Company):

	As at 30 June		As at 31 December	
	2022	2021	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
Non-current assets	17,985	9,297	27,590	10,823
Current assets	157,625	284,840	131,317	69,089
Non-current liabilities	(936)	(139,569)	(142,665)	(109,690)
Current liabilities	(201,376)	(189,359)	(47,550)	(20,984)

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

Save as disclosed in the section headed “Effects on the Shareholding Structure of the Company” in this announcement and save for the transactions contemplated under the Proposed Conversion of the Convertible Bonds, as at the date of this announcement, neither Yuanyin Holdings nor any party acting in concert with it:

- (a) owns, controls or has direction over any Shares, options, warrants or securities that are convertible into Shares;

- (b) has entered into any outstanding derivative in respect of securities in the Company;
- (c) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (d) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or Yuanyin Holdings, which might be material to the Proposed Conversion of the Convertible Bonds and/or the Whitewash Waiver, with any other persons;
- (e) has any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Proposed Conversion of the Convertible Bonds and/or the Whitewash Waiver;
- (f) has received any irrevocable commitment from any Shareholder to vote in favour of the Proposed Conversion of the Convertible Bonds and/or the Whitewash Waiver at the SGM; or
- (g) has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company during the period commencing on the date falling six months prior to the date of this announcement and ending on the date of this announcement.

Yuanyin Holdings has confirmed that, as at the date of this announcement:

- (a) apart from the consideration paid by Yuanyin Holdings to the Company for the Subscription of the Convertible Bonds pursuant to the Subscription Agreement, there is no other consideration, compensation or benefit in whatever form paid or to be paid by Yuanyin Holdings or any parties acting in concert with it to the Company or any party acting in concert with the Company in connection with the Subscription and the Proposed Conversion of the Convertible Bonds;
- (b) apart from the Subscription Agreement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between Yuanyin Holdings or any party acting in concert with it on the one hand, and the Company and any party acting in concert with it on the other hand; and
- (c) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any shareholders of the Company and Yuanyin Holdings and any party acting in concert with it.

The Company has confirmed that, as at the date of this announcement, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any shareholders of the Company and the Company, its subsidiaries or associated companies.

As at the date of this announcement, the Company does not believe that the Proposed Conversion of the Convertible Bonds gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the Circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Proposed Conversion of the Convertible Bonds does not comply with other applicable rules and regulations.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors who have no direct or indirect interest in the Proposed Conversion of the Convertible Bonds, the Whitewash Waiver and the transactions contemplated thereunder, namely Mr. Zhang Jinfan, Ms. Huang Qin and Mr. Guo Yaoli, has been formed to advise the Independent Shareholders with regard to the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver. The Independent Board Committee excludes the non-executive Directors, namely Mr. Ma Baojun and Mr. Huang Shuanggang, who are also directors of Yuanyin Holdings.

Gram Capital has been appointed by the Board with the Independent Board Committee's approval as the Independent Financial Adviser to advise the Independent Board Committee as to the fairness and reasonableness of the terms of the Proposed Conversion of the Convertible Bond and the Whitewash Waiver and as to voting by the Independent Shareholders.

INFORMATION ON YUANYIN HOLDINGS

Yuanyin Holdings, a company incorporated in the British Virgin Islands with limited liability which, together with its subsidiaries, is interested in 103,017,000 Shares, representing approximately 26.97% of the total issued share capital of the Company as at the date of this announcement. It is principally engaged in investment holding, which includes its capital investment in its subsidiaries and its investment in stocks and funds including its investment holding in the Company.

As at the date of this announcement, Yuanyin Holdings has 630,000,000 shares in issue. Each share confers upon its holder the right to one vote.

The table below sets out details of the shareholding structure of Yuanyin Holdings as at the date of this announcement:

Name of shareholders	Number of shares	% of the shares	Number of votes held	% of the voting rights
Deyou Hong Kong Limited (德祐香港有限公司) ⁽¹⁾	20,000,000	3.17%	20,000,000	3.17%
LUXURY TREASURE HOLDINGS LIMITED (逸寶控股有限公司) ⁽²⁾	50,000,000	7.94%	50,000,000	7.94%
Shengzhao Industry Limited (盛兆實業有限公司) ⁽³⁾	100,000,000	15.87%	100,000,000	15.87%
Yunlei Enterprises Limited (雲雷企業有限公司) ⁽⁴⁾	100,000,000	15.87%	100,000,000	15.87%
COMPETENT GLORY LIMITED ⁽⁵⁾	50,000,000	7.94%	50,000,000	7.94%
Zhenyu Corporation Limited (振宇企業有限公司) ⁽⁶⁾	100,000,000	15.87%	100,000,000	15.87%
Hong Kong Xingrui International Investment Co., Limited (香港興瑞國際投資有限公司) ⁽⁷⁾	100,000,000	15.87%	100,000,000	15.87%
Pure Benefit Developments Limited ⁽⁸⁾	100,000,000	15.87%	100,000,000	15.87%
Superb East Investments Limited (卓東投資有限公司) ⁽⁹⁾	<u>10,000,000</u>	<u>1.59%</u>	<u>10,000,000</u>	<u>1.59%</u>
Total	<u>630,000,000</u>	<u>100%</u>	<u>630,000,000</u>	<u>100%</u>

Notes:

As at the date of this announcement,

- (1) Deyou Hong Kong Limited, a company principally engaged in providing trust services, is owned by (i) Mr. Ma Baojun (馬寶軍) (a non-executive Director) as to 90% and (ii) Mr. Xu Dajiang (許大江) as to 10%.
- (2) LUXURY TREASURE HOLDINGS LIMITED, a company principally engaged in medical insurance and infrastructure, is owned by Mr. Ma Jie (馬捷) as to 100%.
- (3) Shengzhao Industry Limited, a company principally engaged in real estate property development, is owned by Mr. Huang Shuanggang (黃雙剛) (a non-executive Director) as to 100%.
- (4) Yunlei Enterprises Limited, a company principally engaged in infrastructure development, is owned by Mr. Jiao Yunlei (焦雲雷) as to 100%.
- (5) COMPETENT GLORY LIMITED, a company principally engaged in metal trading business, is owned by Mr. Fu Qinglin (付慶林) as to 100%.

- (6) Zhenyu Corporation Limited, a company principally engaged in real estate property development, is owned by Mr. Liu Zhenjiang (劉振江) as to 100%.
- (7) Hong Kong Xingrui International Investment Co., Limited, a company principally engaged in coal industry, is owned (i) ultimately by Chen Xingming (陳星明) as to 1% and (ii) by Zhengzhou Xingqian Trading Co., Ltd.* (鄭州興謙商貿有限公司) as to 99%, which is in turn owned by Chen Xingming (陳星明) as to 98% and Li Jie (李杰) as to 2%.
- (8) Pure Benefit Developments Limited, a company principally engaged in investment holding, is owned by Cong Lin (叢林) as to 100%.
- (9) Superb East Investments Limited, a company principally engaged in real estate property development, is owned by Mr. Zhang Chunmin (張春敏) as to 100%.

Save for Deyou Hong Kong Limited, Mr. Ma Baojun, Shengzhao Industry Limited and Mr. Huang Shuanggang, the remaining shareholders of Yuanyin Holdings and their respective ultimate beneficial owner(s) are independent third parties of the Company.

GENERAL

The SGM will be convened to approve, among other things, the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver by way of poll. Yuanyin Holdings and parties acting in concert with it and Shareholders who are involved in, or interested in, the Proposed Conversion of the Convertible Bonds and/or the Whitewash Waiver shall abstain from voting in respect of the resolutions at the SGM.

The Circular containing, among other things, (i) information about the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver; (ii) the letter from the Independent Board Committee; (iii) the recommendations from Gram Capital on the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver; and (iv) a notice convening the SGM, is expected to be despatched to the Shareholders on or before 6 March 2023 in accordance with the Takeovers Code.

Warning: The Whitewash Waiver is subject to the approval of the Executive and the Independent Shareholders at the SGM. The Executive and the Independent Shareholders may or may not approve the Whitewash Waiver. The Convertible Bonds may or may not be converted depending on whether the Whitewash Waiver is approved. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and actions that they should take.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Adjusted Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company following the Capital Reorganization becoming effective but prior to the Share Consolidation becoming effective
“Board”	the board of Directors
“Capital Reduction”	the reduction of the issued share capital of the Company, whereby the par value of all the issued existing shares of the Company has been reduced from HK\$0.05 each to HK\$0.01 each by cancelling the paid-up capital of the Company to the extent of HK\$0.04 on each of the existing Shares in issue
“Capital Reorganization”	collectively, the Capital Reduction and the Share Subdivision, which became effective on 26 September 2022
“Capital Reorganization Announcements”	the announcements of the Company dated 24 August 2022 and 22 September 2022 in relation to, among others, the Capital Reorganization, the Share Consolidation and the adjustment of Conversion Price of the Convertible Bonds
“Capital Reorganization Circular”	the circular of the Company dated 31 August 2022 in relation to, among others, the Capital Reorganization, the Share Consolidation and the adjustment of Conversion Price of the Convertible Bonds
“Circular”	a circular containing, among other things, (i) information about the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver; (ii) the letter from the Independent Board Committee; (iii) the recommendations from Gram Capital on the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver; and (iv) a notice convening the SGM
“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)

“Conversion Conditions”	the conversion conditions of the Convertible Bonds as set out in the section headed “Conversion Conditions of the Convertible Bonds” in this announcement
“Conversion Price”	the conversion price per Share upon the exercise of the Convertible Bonds, being HK\$0.3 per Share (as adjusted following the Share Consolidation), subject to adjustments as provided under the terms and conditions of the Convertible Bonds
“Conversion Share(s)”	the Share(s) to be issued upon the conversion of the Convertible Bonds
“Convertible Bond(s)”	the convertible bond(s) in the aggregate principal amount of HK\$150 million at the interest rate of 1% per annum issued by the Company to Yuanyin Holdings, details of which are included in the Convertible Bonds Announcements and the Convertible Bonds Circular
“Convertible Bonds Announcements”	the announcements of the Company dated 1 April 2021 and 21 May 2021 in relation to, among others, the issuance of the Convertible Bonds
“Convertible Bonds Circular”	the circular of the Company dated 29 April 2021 in relation to, among others, the issuance of the Convertible Bonds
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Zhang Jinfan, Ms. Huang Qin and Mr. Guo Yaoli, to advise the Independent Shareholders in respect of the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver

“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee in respect of the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than Yuanyin Holdings and parties acting in concert with it and their respective associates and those who are otherwise involved in, or interested in, the Proposed Conversion of the Convertible Bonds and/or the Whitewash Waiver and those who are required under the Listing Rules and/or the Takeovers Code (as the case may be) to abstain from voting at the SGM
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Conversion of the Convertible Bonds”	the proposed conversion of the Convertible Bonds in full at the Conversion Price by Yuanyin Holdings
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened and held to consider, among other matters, the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver
“Share(s)”	the existing share(s) with a par value of HK\$0.10 each share in the capital of the Company

“Share Consolidation”	the consolidation of every ten (10) issued and unissued Adjusted Shares of par value HK\$0.01 each in the share capital of the Company into one (1) consolidated Share of par value HK\$0.10 each, which became effective on 26 September 2022
“Share Subdivision”	the subdivision of each of the authorized but unissued existing shares of the Company of par value of HK\$0.05 into five Adjusted Shares of par value of HK\$0.01 each, which became effective on 26 September 2022
“Shareholder(s)”	holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Convertible Bonds by Yuanyin Holdings pursuant to the terms and conditions of the Subscription Agreement, details of which are included in the Convertible Bonds Announcements and the Convertible Bonds Circular
“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 Convertible Bonds Announcements and the Convertible Bonds Circular
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“Whitewash Waiver”	the whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of Yuanyin Holdings to make a mandatory general offer for all the issued Shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) not already owned or agreed to be acquired by Yuanyin Holdings and parties acting in concert with it which might otherwise arise as a result of the allotting and issuing to Yuanyin Holdings of the Conversion Shares pursuant to the conversion of the Convertible Bonds

“Yuanyin Holdings”

Yuanyin Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which, together with parties acting in concert with it, are interested in 103,017,000 Shares, representing approximately 26.97% of the total issued share capital of the Company as at the date of this announcement

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

Hong Kong, 13 February 2023

As at the date of this announcement, the Board consists of Mr. Ma Baojun (being a non-executive Director), Mr. Zhou Quan and Mr. Zhao Yun (both being executive Directors), Mr. Huang Shuanggang (being a non-executive Director), Mr. Zhang Jinfan, Ms. Huang Qin and Mr. Guo Yaoli (each being an independent non-executive Director).

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to Yuanyin Holdings and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the directors of Yuanyin Holdings) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

As at the date of this announcement, the board of Yuanyin Holdings consists of Mr. Ma Baojun, Mr. Zhao Yun, Mr. Huang Shuanggang, Mr. Liu Zilei and Mr. Du Tianzheng.

The directors of Yuanyin Holdings jointly and severally accept full responsibility for the accuracy of the information contained in this announcement relating to Yuanyin Holdings and parties acting in concert with it and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement by the directors of Yuanyin Holdings have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

* for identification purpose only