



# 盛源控股有限公司

SHENG YUAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 851

The background of the lower half of the cover is composed of several overlapping, stylized geometric shapes in shades of red and blue. These shapes are filled with a pattern of white dots and lines, resembling a circuit board or a digital network. The text "INTERIM REPORT 2023" is centered within one of the blue shapes.

**INTERIM  
REPORT  
2023**

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Zhou Quan

*(Appointed as Chairman on 19 May 2023)*

Mr. Zhao Yun *(Chief Executive Officer)*

#### Non-Executive Director(s)

Mr. Ma Baojun *(Chairman)*

*(Resigned on 19 May 2023)*

Mr. Huang Shuanggang

#### Independent Non-Executive Directors

Mr. Zhang Jinfan

Ms. Huang Qin

Mr. Guo Yaoli

### AUDIT COMMITTEE

Ms. Huang Qin *(Chairman)*

Mr. Zhang Jinfan

Mr. Huang Shuanggang

### REMUNERATION COMMITTEE

Mr. Zhang Jinfan *(Chairman)*

Ms. Huang Qin

Mr. Guo Yaoli

### NOMINATION COMMITTEE

Mr. Zhou Quan *(Chairman)*

*(Appointed on 19 May 2023)*

Mr. Ma Baojun *(Chairman)*

*(Resigned on 19 May 2023)*

Mr. Zhang Jinfan

Mr. Guo Yaoli

### COMPANY SECRETARY

Mr. Chiu Ming King *(FCG HKFCG (PE))*

### STOCK CODE

851

### WEBSITE

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### REGISTERED OFFICE

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Bermuda

### PRINCIPAL OFFICE IN HONG KONG

26/F, 238 Des Voeux Road Central

Sheung Wan, Hong Kong

### AUDITOR

BDO Limited

Certified Public Accountants

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

### SOLICITORS

Paul Hastings

22nd Floor

Bank of China Tower

1 Garden Road

Hong Kong

### PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation

Bank of China (Hong Kong) Limited

# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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## TO THE BOARD OF DIRECTORS OF SHENG YUAN HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

### INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 5 to 30, which comprise the condensed consolidated statement of financial position of Sheng Yuan Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed consolidated financial statements"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

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

#### **BDO Limited**

*Certified Public Accountants*

#### **YU TSUI FONG**

Practising Certificate No.: P05440

Hong Kong, 24 August 2023

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<b>Revenue</b>	5	<b>3,673</b>	42,588
Other gains and losses	6	<b>(3,998)</b>	(7,471)
Other income	7	<b>3,256</b>	2,954
Purchase of inventories for trading business		—	(4,717)
Staff costs	8	<b>(5,617)</b>	(6,616)
Depreciation		<b>(1,501)</b>	(1,498)
Finance costs	8	<b>(3,720)</b>	(4,673)
Impairment losses on trade receivables and other receivables		<b>(5,909)</b>	(7,647)
Other expenses		<b>(3,872)</b>	(3,818)
<b>(Loss)/Profit before income tax</b>	8	<b>(17,688)</b>	9,102
Income tax expense	9	—	(4,450)
<b>(Loss)/Profit for the period</b>		<b>(17,688)</b>	4,652
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
— Exchange differences on translating foreign operations			
Exchange differences arising during the period		<b>3</b>	(46)
<b>Other comprehensive income for the period</b>		<b>3</b>	(46)
<b>Total comprehensive income for the period</b>		<b>(17,685)</b>	4,606
		<b>HK cents</b>	<b>HK cents (restated)</b>
<b>(Loss)/Earnings per share</b>	11		
— Basic		<b>(3.51)</b>	1.21
— Diluted		<b>(3.51)</b>	1.02

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	<i>Notes</i>	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	230	579
Right-of-use assets	13	554	1,706
Trading rights		–	–
Goodwill		–	–
Other assets		1,705	1,705
Long-term deposit		478	–
Debt instruments held at fair value through profit or loss	16	–	11,989
		<b>2,967</b>	15,979
<b>Current assets</b>			
Trade and other receivables and prepayments	14	14,299	18,021
Held for trading investments	15	15,155	15,936
Debt instruments held at fair value through profit or loss	16	8,683	–
Current tax assets		3,516	2,442
Trust bank balances held on behalf of clients		92,340	82,381
Cash and cash equivalents		69,083	79,929
		<b>203,076</b>	198,709
<b>Current liabilities</b>			
Trade and other payables and accruals	17	109,738	99,673
Lease liabilities	13	937	2,270
Contract liabilities		590	513
Convertible bonds	18	–	149,388
		<b>111,265</b>	251,844
<b>Net current assets/(liabilities)</b>		<b>91,811</b>	(53,135)
<b>Net assets/(liabilities)</b>		<b>94,778</b>	(37,156)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

		<b>30 June 2023</b>	31 December 2022
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>EQUITY</b>			
Share capital	19	<b>88,197</b>	38,197
Reserves		<b>6,581</b>	(75,353)
<b>Total equity/(Capital deficiency)</b>		<b>94,778</b>	<b>(37,156)</b>

On behalf of the Board

**Mr. Zhao Yun**  
*Director*

**Mr. Zhou Quan**  
*Director*

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Share capital	Share premium	Shareholder's contribution	Capital redemption reserve	Convertible bond equity reserve	Currency translation reserve	Contributed surplus	Accumulated losses	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>At 1 January 2023 (Audited)</b>	38,197	320,370	7,834	477	14,808	(1,359)	152,788	(570,271)	(37,156)
Conversion of convertible bonds, net of directly attributable transaction costs of HK\$381,000 (note 18)	50,000	114,427	-	-	(14,808)	-	-	-	149,619
Loss for the period	-	-	-	-	-	-	-	(17,688)	(17,688)
Other comprehensive income									
— Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	3	-	-	3
<b>Total comprehensive income for the period</b>	-	-	-	-	-	3	-	(17,688)	(17,685)
<b>At 30 June 2023 (Unaudited)</b>	88,197	434,797	7,834	477	-	(1,356)	152,788	(587,959)	94,778

	Share capital	Share premium	Shareholder's contribution	Capital redemption reserve	Convertible bond equity reserve	Currency translation reserve	Accumulated losses	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>At 1 January 2022 (Audited)</b>	190,985	320,370	7,834	477	14,808	(1,313)	(564,469)	(31,308)
Profit for the period	-	-	-	-	-	-	4,652	4,652
Other comprehensive income								
— Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	(46)	-	(46)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	(46)	4,652	4,606
<b>At 30 June 2022 (Unaudited)</b>	190,985	320,370	7,834	477	14,808	(1,359)	(559,817)	(26,702)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Six months ended 30 June	
	Notes	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited) (Re-presented)
<b>Cash flows from operating activities</b>			
(Loss)/Profit before income tax for the period		(17,688)	9,102
Adjustments for:			
Depreciation of property, plant and equipment		349	347
Depreciation of right-of-use assets	13	1,152	1,151
Finance costs	8	3,720	4,673
Impairment losses on trade receivables and other receivables		5,909	7,647
Interest spread arising from debt instruments arrangement	7	(893)	(893)
Dividend income from equity instruments	7	(465)	(493)
Fair value loss on debt instruments held at fair value through profit or loss		3,306	8,107
Fair value loss/(gain) on held for trading investments		533	(579)
Interest income	7	(1,898)	(1,416)
Operating (loss)/profit before working capital changes		(5,975)	27,646
Increase in trade and other receivables and prepayments		(1,307)	(27,306)
Decrease/(Increase) in held for trading investments		248	(15,581)
(Increase)/Decrease in trust bank balances held on behalf of clients		(9,959)	199
Increase in trade and other payables and accruals		7,065	7,521
Increase in contract liabilities		77	-
Cash used in operations		(9,851)	(7,521)
Interest received from banks and others		685	1
Income tax paid		(1,074)	-
<i>Net cash used in operating activities</i>		(10,240)	(7,520)
<b>Cash flows from investing activities</b>			
Interest received from debts instruments held at fair value through profit or loss		1,213	1,415
<i>Net cash generated from financing activities</i>		1,213	1,415
<b>Cash flows from financing activities</b>			
Expenses directly attributable in allotment of shares arising from conversion of convertible bonds		(381)	-
Repayment of lease liabilities		(1,441)	(1,442)
<i>Cash used in financing activities</i>		(1,822)	(1,442)
<b>Net decrease in cash and cash equivalents</b>		(10,849)	(7,547)
Cash and cash equivalents at beginning of the period		79,929	69,100
Effect of foreign exchange rate changes, on cash held		3	(46)
<b>Cash and cash equivalents at end of the period</b>		69,083	61,507

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 1. GENERAL INFORMATION

Sheng Yuan Holdings Limited (the “Company”) is an exempted company with limited liability incorporated and domiciled in Bermuda. The address of its registered office is 4/F North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda and its principal place of business is 26th Floor, 238 Des Voeux Road Central, Sheung Wan, Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

The Company is an investment holding company. Its subsidiaries are principally engaged in provision of securities brokerage and financial services, asset management services, proprietary trading and trading business.

The condensed consolidated financial statements for the six months ended 30 June 2023 were approved for issue by the board of directors on 24 August 2023.

These condensed consolidated financial statements contains selected explanatory notes primarily an explanation of the events and changes that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiaries (together referred as the “Group”) since the end of the last annual reporting period and do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022.

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

In the current period, the Group has applied the new and amendments and interpretations (the “new HKFRSs”) which are effective for the Group’s condensed consolidated financial statements for the annual period beginning on 1 January 2023. HKFRSs include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The adoption of the following new and amended HKFRSs has no material impact on the Group’s condensed consolidated financial statements:

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 3. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2023 has been prepared in compliance with HKAS 34 “Interim Financial Reporting” issued by the HKICPA and with the applicable requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. The accounting policies and methods of computation that have been used in the preparation of these condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2022, except for the adoption of new HKFRSS.

### 4. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group’s business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group’s major service lines as follows:

- (a) securities brokerage and financial services — provision of discretionary and non-discretionary dealing services for securities and futures contracts, securities placing and underwriting services, margin financing and money lending services, corporate finance advisory and general advisory services;
- (b) asset management services — provision of fund management and discretionary portfolio management and investment advisory services;
- (c) proprietary trading — investment holding and securities trading; and
- (d) trading business — trading of chemical products and energy and minerals products.

During the six months ended 30 June 2023, there were no changes from prior periods in the measurement methods used to determine operating segments, reported segment profit or loss and reported segment assets and liabilities. No operating segments identified have been aggregated in arriving at the reportable segments of the Group. Each of these operating segments is managed separately as each of the service lines requires different resources as well as marketing approaches.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 4. SEGMENT INFORMATION (Continued)

	Securities brokerage and financial services HK\$'000	Asset management services HK\$'000	Proprietary trading HK\$'000	Trading business HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2023 (Unaudited)</b>					
<b>Reportable segment revenue</b>					
External customers					
— Fee and commission income	1,890	1,727	-	-	3,617
— Margin financing income	56	-	-	-	56
	<b>1,946</b>	<b>1,727</b>	<b>-</b>	<b>-</b>	<b>3,673</b>
<b>Fee and commission income from external customers</b>					
— Timing of revenue recognition					
Point in time	1,310	-	-	-	1,310
Over time	580	1,727	-	-	2,307
<b>Revenue from other sources</b>	<b>56</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56</b>
	<b>1,946</b>	<b>1,727</b>	<b>-</b>	<b>-</b>	<b>3,673</b>
— Geographical region					
Hong Kong	1,946	1,727	-	-	3,673
<b>Reportable segment result</b>	<b>(3,696)</b>	<b>(1,393)</b>	<b>(2,781)</b>	<b>(6)</b>	<b>(7,876)</b>
<b>30 June 2023 (Unaudited)</b>					
<b>Reportable segment assets</b>	<b>102,614</b>	<b>3,686</b>	<b>17,371</b>	<b>53</b>	<b>123,724</b>
<b>Reportable segment liabilities</b>	<b>93,408</b>	<b>502</b>	<b>4,825</b>	<b>52</b>	<b>98,787</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 4. SEGMENT INFORMATION (Continued)

	Securities brokerage and financial services HK\$'000	Asset management services HK\$'000	Proprietary trading HK\$'000	Trading business HK\$'000	Total HK\$'000
<b>Six months ended 30 June</b>					
<b>2022 (Unaudited)</b>					
<b>Reportable segment revenue</b>					
External customers					
— Fee and commission income	26,889	10,884	–	4,815	42,588
<b>Fee and commission income from external customers</b>					
— Timing of revenue recognition					
Point in time	26,889	–	–	4,815	31,704
Over time	–	10,884	–	–	10,884
	26,889	10,884	–	4,815	42,588
— Geographical region					
Hong Kong	26,889	10,884	–	4,815	42,588
<b>Reportable segment result</b>	23,517	(547)	(5,044)	90	18,016
<b>31 December 2022 (Audited)</b>					
<b>Reportable segment assets</b>	83,027	11,495	29,856	61	124,439
<b>Reportable segment liabilities</b>	82,883	712	6,849	60	90,504

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 4. SEGMENT INFORMATION *(Continued)*

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Reportable segment result	(7,876)	18,016
Other income	–	153
Finance costs	(3,720)	(4,673)
Corporate expenses**	(6,092)	(4,394)
Group's (loss)/profit before income tax	(17,688)	9,102

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

### 5. REVENUE

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<b>Revenue from contracts with customers</b>		
<b>Fee and commission income</b>		
Securities brokerage and financial services segment:		
— Securities and futures brokerage	586	1,669
— Placing and underwriting	724	25,220
— Consultancy fee income	280	–
— Custodian fee income	300	–
	1,890	26,889
Asset management services segment:		
— Fund and portfolio management and investment advisory	1,727	10,884
Trading business segment:		
— Trading of chemical products	–	4,815
	3,617	42,588
<b>Revenue from other sources</b>		
<b>Interest income calculated using the effective interest method</b>		
— Margin financing	56	–
<b>Total</b>	<b>3,673</b>	<b>42,588</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Change in fair value of debt instruments held at fair value through profit or loss ( <i>Note 16</i> )	<b>(3,306)</b>	(8,107)
Changes in fair value of held for trading investments	<b>(533)</b>	579
Net foreign exchange (loss)/gain	<b>(159)</b>	57
	<b>(3,998)</b>	(7,471)

### 7. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income from banks and others	<b>685</b>	1
Interest income from debt instruments held at fair value through profit or loss ( <i>Note a</i> )	<b>1,213</b>	1,415
Net interest spread arising from debt instruments arrangement ( <i>Note b</i> )	<b>893</b>	893
Dividend income	<b>465</b>	493
Government grant ( <i>Note c</i> )	<b>–</b>	152
	<b>3,256</b>	2,954

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 7. OTHER INCOME (Continued)

Notes:

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

The effect of the purchase of the Atta Notes, which is a leveraged note, by the Group with the corresponding part of the proceeds from Kingwell Notes is that the Group has facilitated an additional leverage subscription of the listed bonds as Atta Assets has also subscribed for the listed bonds for economic hedge purpose. In this respect, pursuant to the terms of the Atta Notes and the Kingwell Notes, the Group is able to earn an interest spread of approximately 2% per annum of its principal subscription amount of the Atta Notes, being the difference between its interest receivables from the Atta Notes and its interest payables under the Kingwell Notes. During the six months period ended 30 June 2023, the Group recognised a net note interest spread of US\$115,000 (approximately HK\$893,000) under other income (six months ended 30 June 2022: US\$115,000 (approximately HK\$893,000)).

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 8. (LOSS)/PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/Profit before income tax is arrived at after charging:		
Finance costs		
— Effective interest on liability component of convertible bonds	3,612	4,409
— Interest on lease liabilities (Note 13)	108	264
	<b>3,720</b>	4,673
Auditor's remuneration	320	320
Staff costs, including directors' emoluments		
— Fees, salaries, allowances and bonuses	5,430	6,340
— Retirement benefit scheme contributions	187	276
	<b>5,617</b>	6,616

### 9. INCOME TAX EXPENSE

For the six months ended 30 June 2023, Hong Kong profit tax has not been provided as there is no assessable profits arising in Hong Kong. For the six months ended 30 June 2022, Hong Kong profits tax was calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation are taxed at 8.25%, and profits above HK\$2 million were taxed at 16.5%. The profits of corporation not qualifying for the two-tiered profits tax rates regime were taxed at a flat rate of 16.5%.

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Current tax — Hong Kong profits tax</b>		
— Provision for current period	—	4,450

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 10. DIVIDENDS

No dividend was proposed or paid during the six months ended 30 June 2023 and 2022, nor has any dividend been proposed since the end of the reporting periods.

### 11. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$17,688,000 (six months ended 30 June 2022: profit attributable to owners of the Company of approximately HK\$4,652,000) and the weighted average number of 503,517,502 (six months ended 30 June 2022: 381,970,541 (restated)) ordinary shares in issue during the period. For the six months ended 30 June 2022, the weighted average number of ordinary shares had been adjusted for the effect of the capital reorganisation as detailed in note 19.

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	30 June 2022 HK\$'000 (Unaudited) (restated)
(Loss)/Profit attributable to the owners of the Company, used in the basic (loss)/earnings per share calculation:	<b>(17,688)</b>	4,652
Effect of dilution — interest on convertible bonds	—	4,409
(Loss)/Profit attributable to the owners of the Company for the purpose of calculating diluted (loss)/earnings per share	<b>(17,688)</b>	9,061
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	<b>503,517</b>	381,970
Effect of dilution — weighted average number of ordinary shares — Convertible bonds	—	500,000
Weighted average number of ordinary shares per share for the purpose of diluted (loss)/earnings per share	<b>503,517</b>	881,970

For the six months ended 30 June 2023, there was a decrease in loss per shares as the computation of diluted loss per share assumed the conversion of convertible bonds.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023 and 30 June 2022, the Group did not acquire or dispose of any property, plant and equipment.

### 13. LEASE

#### Right-of-use assets

As at 30 June 2023, the carrying amounts of right-of-use assets was approximately HK\$554,000 (As at 31 December 2022: approximately HK\$1,706,000) in respect of a number of leased office properties which it operates.

During the six months ended 30 June 2023, the Group did not enter into nor renew any lease agreement and as of that date, none of the leases contain variable lease payments.

#### Lease liabilities

As at 30 June 2023, the carrying amount of lease liabilities was approximately HK\$937,000 (As at 31 December 2022: approximately HK\$2,270,000).

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation expense of right-of-use assets	1,152	1,151
Interest on lease liabilities ( <i>Note 8</i> )	108	264
Expense relating to short-term leases	135	–

The Group has no expense relating to leases of low-value assets, excluding short-term leases of low-value assets.

The total cash outflows for lease in the six months ended 30 June 2023 was approximately HK\$1,576,000 (six months ended 30 June 2022: approximately HK\$1,442,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade receivables	32,649	32,002
Less: Loss allowances	(22,463)	(18,053)
	<b>10,186</b>	13,949
Other receivables and prepayments*	5,612	4,072
Less: Loss allowances	(1,499)	–
	<b>4,113</b>	4,072
	<b>14,299</b>	18,021

\* Comprised mainly receivables arising from a debt instrument arrangement.

The analysis of trade receivables is as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Arising from the business of dealing in securities and futures contracts		
— Hong Kong Securities Clearing Company Limited (“HKSCC”) (Note a)	12	–
— Margin clients (Note a)	7,430	–
	<b>7,442</b>	–
Arising from asset management services (Note a and b)	17,207	23,809
Arising from underwriting and placing services (Note a and b)	8,000	8,000
Arising from custodian services (Note b)	–	193
	<b>25,207</b>	32,002
Less: Loss allowances	(22,463)	(18,053)
	<b>10,186</b>	13,949

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Notes:

- (a) The normal settlement terms of trade receivables arising from the business of dealing in securities are one to two business days after the respective trade dates. The normal settlement terms of trade receivables arising from the business of dealing in futures contracts are one business day after the respective trade dates. Trade receivables from securities margin clients are secured by their pledged securities, repayable on demand and bear interests at commercial rates. Credits are extended to securities margin clients subject to the marginable value of the listed securities pledged with the Group. The margin ratios are reviewed and determined periodically. At the end of the reporting period, fair value of marketable securities pledged by securities margin clients was HK\$61,974,000 (at 31 December 2022: Nil). No impairment loss allowance has been recognised as the related allowances were considered immaterial and there was no credit default history. The amounts due from HKSCC are repayable on demand except for the required margin deposits for the trading of futures contracts.

No ageing analysis is disclosed as in the opinion of directors, the ageing analysis does not give additional value in view of the nature of broking business.

Settlement of amounts arising from asset management services and underwriting and placing services is in accordance with the terms set out in respective agreements, usually within one year after the service obligation has been fulfilled.

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Gross amount		
Not yet past due	202	3,559
0–30 days past due	212	1,805
31–60 days past due	213	1,802
61–90 days past due	213	1,383
91–180 days past due	1,859	2,731
181–270 days past due	1,036	9,072
271–365 days past due	1,064	766
Over 365 days past due	20,408	10,884
	<b>25,207</b>	<b>32,002</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 15. HELD FOR TRADING INVESTMENTS

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Listed equity securities	15,155	15,936

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Listed debt securities issued by corporate entities (Note)	8,683	11,989
Analysed for reporting purposes as:		
— Current	8,683	—
— Non-current	—	11,989
	<b>8,683</b>	<b>11,989</b>

Note:

During the year ended 31 December 2021, the Company made subscription in a listed bond amounting to US\$2,500,000 (equivalent to HK\$19,527,000). The listed bond carries interest at 12.5% per annum and matures in April 2024. In the opinion of the directors of the Company, the debt instrument is for long-term strategic purposes and not intended to dispose of in near future. The fair value loss on the debt instruments approximately HK\$3,306,000 has been recognised in "Other gains and losses" during the six months ended 30 June 2023 (six months ended 30 June 2022: approximately HK\$8,107,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 17. TRADE AND OTHER PAYABLES AND ACCRUALS

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	<b>31 December 2022 HK\$'000 (Audited)</b>
Trade payables arising from the business of dealing in securities and futures contracts		
— Cash clients	<b>85,825</b>	69,851
— Margin clients	<b>6,557</b>	12,258
— HKSCC	<b>108</b>	—
	<b>92,490</b>	82,109
Other payables	<b>15,754</b>	14,145
Accruals	<b>1,494</b>	3,419
	<b>109,738</b>	99,673

The normal settlement terms of trade payables arising from the business of dealing in securities are one to two business days after the respective trade dates. The normal settlement terms of trade payables arising from the business of dealing in futures contracts are one business day after the respective trade dates. The amounts payable to cash and margin clients are repayable on demand except for the required margin deposits for the trading of futures contracts. No ageing analysis in respect of trade payables is disclosed as, in the opinion of the directors, the ageing analysis does not give additional value in view of the business nature.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 18. CONVERTIBLE BONDS

Pursuant to subscription agreements entered into by the Company on 1 April 2021, the Company issued convertible bonds with principal amount of HK\$150,000,000 ("SYHL Bonds"), to Yuanyin Holdings Limited, a substantial shareholder of the Company, on 21 May 2021. The maturity date of the SYHL Bonds is the date falling its two years from the date of issue. The SYHL Bonds entitled the holder to convert them into ordinary shares of the Company at an initial conversion price of HK\$0.3 after the capital reorganisation and share consolidation of the Company completed during the year ended 31 December 2022 at any time before the secondary anniversary date of the date of the issuance of SYHL Bonds ("SYHL Bonds Maturity Date") and bear interests at 1% per annum. Unless previously redeemed, converted or cancelled, the Company has to redeem each SYHL Bonds on the SYHL Bonds Maturity Date at 100% of the outstanding principal amount, together with accrued interest, if any.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 18. CONVERTIBLE BONDS (Continued)

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

	Liability component <i>HK\$'000</i>	Equity conversion component <i>HK\$'000</i>
<b>At 1 January 2022 (Audited)</b>	140,395	14,808
Effective interest recognised ( <i>Note 8</i> )	4,409	–
<b>At 30 June 2022 (Unaudited)</b>	144,804	14,808
Effective interest recognised	4,584	–
<b>At 31 December 2022 (Audited)</b>	<b>149,388</b>	<b>14,808</b>
Effective interest recognised ( <i>Note 8</i> )	<b>3,612</b>	–
Conversion of convertible bonds	<b>(150,000)</b>	<b>(14,808)</b>
Reclassified to other payables <sup>#</sup>	<b>(3,000)</b>	–
<b>At 30 June 2023 (Unaudited)</b>	–	–

During the six months ended 30 June 2023, the Company received a conversion notice from Yuanyin Holdings Limited for the exercise of the conversion rights in respect of the SYHL Bonds with a principal amount of HK\$150,000,000. Upon fulfilling the conversion conditions of the SYHL Bonds, conversion of SYHL Bonds took place on 18 May 2023 and 500,000,000 conversion shares at conversion price of HK\$0.3 per share were allotted and issued to Yuanyin Holdings Limited. Further details on the conversion is disclosed in the Company's announcement dated 18 May 2023.

<sup>#</sup> Represented the outstanding coupon interest of SYHL Bonds being reclassified from liability component of convertible bonds to other payables.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 19. SHARE CAPITAL

	Number of ordinary shares of HK\$0.05 each	Number of ordinary shares of HK\$0.1 each	Nominal value HK\$'000
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*Authorised:*

**At 1 January 2023 (audited)**

**and 30 June 2023 (unaudited)**

– 6,000,000,000 600,000

*Issued and fully paid:*

**At 1 January 2023 (audited)**

– 381,970,541 38,197

Conversion of convertible bonds

(Note 18)

– 500,000,000 50,000

**At 30 June 2023 (unaudited)**

– 881,970,541 88,197

	Number of ordinary shares of HK\$0.05 each	Number of ordinary shares of HK\$0.1 each	Nominal value HK\$'000
--	---	--	------------------------------

*Authorised:*

**At 1 January 2022 (audited)**

12,000,000,000 – 600,000

Capital reorganisation and share

consolidation (Note a)

(12,000,000,000) 6,000,000,000 –

**At 31 December 2022 (audited)**

– 6,000,000,000 600,000

*Issued and fully paid:*

**At 1 January 2022 (audited)**

3,819,705,413 – 190,985

Capital reorganisation and share

consolidation (Note a)

(3,819,705,413) 381,970,541 (152,788)

**At 31 December 2022 (audited)**

– 381,970,541 38,197

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 19. SHARE CAPITAL (Continued)

Note:

- (a) Pursuant to a special resolution passed by the shareholders of the Company at the special general meeting held on 22 September 2022, with effective from 26 September 2022, (i) the par value of each of the issued shares of the Company of HK\$0.05 each (the “Existing Shares”) be reduced from HK\$0.05 to HK\$0.01 by a cancellation of the paid-up capital to the extent of HK\$0.04 on each issued Existing Share; (ii) each of the authorised but unissued Existing Shares of par value of HK\$0.05 will be sub-divided into five Adjusted Shares (the “Adjusted Shares”) of par value of HK\$0.01 each; and (iii) every ten (10) issued and unissued Adjusted Shares of par value HK\$0.01 each in the share capital of the Company be consolidated into one (1) Consolidated share of par value HK\$0.10 each. This resulted in a transfer of HK\$152,788,000 from share capital to contributed surplus of the same amount on 22 September 2022.

All issued shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

### 20. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
A wholly-owned subsidiary of an entity having control/ significant influence over the Company		
Yuanyin International Limited		
— Commission and brokerage income from securities trading	225	—
— Investment advisory income (Note (a))	462	1,953

Notes:

- (a) Investment advisory income of HK\$462,000 for the six months ended 30 June 2023 (2022: HK\$1,953,000) was in connection with the investment advisory agreement entered with Yuanyin International Limited, which is a wholly-owned subsidiary of Yuanyin Holdings Limited, a substantial shareholder of the Company.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 20. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the balances detailed elsewhere in these condensed consolidated financial statements, the Group had the following balances outstanding with related parties who are not members of the Group as below:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Amount owed by the Group included in other payables and accruals <i>(Note 17)</i>		
— Yuanyin Finance Limited <i>(i)</i>	7,111	7,111
— Yuanyin Holdings Limited <i>(i)</i>	3,000	–
Amount owed to the Group included in trade receivables <i>(Note 14)</i>		
— Yuanyin International Limited <i>(Note (ii))</i>	7,987	7,525

Notes:

- (i) The amount owed by the Group is unsecured, non-interest bearing and repayable on demand.
- (ii) The amount owed to the Group is unsecured, non-interest bearing and without any credit period.

### Compensation of key management personnel

	Six months ended 30 June 2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Salaries and allowances	886	1,081
Retirement benefit scheme contributions	18	26
	904	1,107

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 21. FAIR VALUE MEASUREMENT

#### Financial instruments measured at fair value

The following table presents the Group's financial instruments measured at fair value on a recurring basis in the condensed consolidated statement of financial position according to the fair value hierarchy. The hierarchy groups financial instruments into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial instruments. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1 <i>HK\$'000</i> <i>note (a)</i>	Level 2 <i>HK\$'000</i> <i>note (b)</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 30 June 2023 (Unaudited)</b>				
Financial assets at fair value through profit or loss				
— Listed debt securities	–	8,683	–	8,683
— Listed equity securities	15,155	–	–	15,155
	<b>15,155</b>	<b>8,683</b>	–	<b>23,838</b>
<b>At 31 December 2022 (Audited)</b>				
Financial assets at fair value through profit or loss				
— Listed debt securities	–	11,989	–	11,989
— Listed equity securities	15,936	–	–	15,936
	15,936	11,989	–	27,925

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 21. FAIR VALUE MEASUREMENT *(Continued)*

#### **Financial instruments measured at fair value *(Continued)***

The levels in the fair value hierarchy within which the financial instruments are categorised in its entirety are based on the lowest level of input that is significant to the fair value measurement. There were no transfers between levels 1 and 2 or transfers into or out of level 3 in the reporting periods. The Group's policy is to recognise transfers between levels of fair value hierarchy at the date of the event or change in circumstances that caused the transfer.

#### **(a) Financial instruments in Level 1**

The fair value of the listed equity securities is based on the quoted market prices at the reporting date. The quoted market price used for the listed equity securities held by the Group is the current bid price.

#### **(b) Financial instruments in Level 2**

The fair value of the listed debt securities is derived from the latest available quoted transaction price prior to the reporting date plus accrued but unpaid interest as at reporting date.

#### **Financial instruments measured at amortised cost**

The fair value of the financial assets and financial liabilities at amortised cost under current assets and current liabilities, respectively, is not materially different from their carrying amount as they are all short term in nature.

### 22. EVENTS AFTER THE REPORTING DATE

There is no material events in relation to the Group occurred after 30 June 2023 and up to the date of issue of the interim condensed consolidated financial statements.

### 23. COMPARATIVE FIGURES

Certain comparative figures of the condensed consolidated statement of cash flows had been re-presented in order to conform to current period's presentation.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INTERIM DIVIDEND

The directors of the Company (the “Directors”) do not recommend the payment of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

## 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 2023, the Group recorded fee and commission income and margin financing income of approximately HK\$3.6 million, representing 92% decrease as compared with approximately HK\$42.6 million for the six months ended 30 June 2022.

Loss for the six months ended 30 June 2023 was approximately HK\$17.7 million, as compared with profit of approximately HK\$4.7 million for the same period in 2022. Such decrease in profit is primarily attributable to decreases in revenue source. Both basic and diluted loss per share for the first half of 2023 is approximately HK\$3.51 cents, compared with HK\$1.21 cents of basic earnings per share and HK\$1.02 cents of diluted earnings per share for the same period in 2022.

### 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 2023, SYS had a total number of 4 employees. 2 employees are licensed as responsible officers to conduct Type 1, Type 2, and Type 4 regulated activities. 2 employees are licensed as representatives to conduct Type 1, Type 2 and Type 4 regulated activities. As at 30 June 2023, SYS maintained 215 client accounts, an increase from 200 client accounts as at 30 June 2022 due to the business development. There was approximately HK\$92.3 million in client trust bank accounts, representing an increase from HK\$82.4 million as at 31 December 2022. Such increase was mainly due to clients deposited large amount of funds into their accounts for investment purpose.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 IPO, placing of shares and other securities, mergers and acquisitions, and business restructuring, etc.

As at 30 June 2023, SYC had 4 employees, 2 employees are 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 through the Group's subsidiary, Sheng Yuan Asset Management Limited ("SYAM"). SYAM is licensed to conduct Type 4 and Type 9 (asset management) regulated activities under the SFO. Via SYAM, 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. The Group would also charge an investment advisory fee based on the scope and complexity of investment advisory services provided.

As at 30 June 2023, the asset management segment had 5 employees, 2 are licensed as responsible officers, and 3 as representatives. All responsible officers and representatives at SYAM are licensed to conduct Type 4 and Type 9 regulated activities under SFO.

As at 30 June 2023, SYAM acted as the fund manager or investment adviser for 1 fund and 3 discretionary accounts (30 June 2022: 1 funds and 3 discretionary accounts). The total assets under management (the "AUM") of SYAM was HK\$646.9 million as at 30 June 2023.

### Operation of Business Segments — Proprietary Trading

For proprietary trading business, Sheng Yuan Financial Services Group Limited ("SYFS") mainly invests in the listed shares, corporate bonds, and private funds in Hong Kong market. During the six months ended 30 June 2023, the Group reported loss of approximately HK\$2.8 million on proprietary trading (six months ended 30 June 2022: HK\$5.04 million loss).

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 2023, the segment had a loss of approximately HK\$6,000 (six months ended 30 June 2022: profit of approximately HK\$0.09 million).

### PROSPECTS AND FUTURE PLANS

The first half of 2023 presented a dynamic and evolving landscape. Geopolitical tensions and shifting international relations continued to impact the business environment in both Mainland China and Hong Kong. Ongoing trade disputes and diplomatic issues between major global economies created an atmosphere of uncertainty, potentially affecting investor sentiment and market volatility. The US Federal Reserve's monetary policy adjustments and changes in interest rates have been affecting borrowing costs and investment decisions. The global economy showed signs of recovery from the impact of the COVID-19 pandemic, but challenges persisted.

Based on data from National Bureau of Statistics of China, China's post-pandemic recovery thrived in the first half of the year with a year-on-year growth of 5.5% in the nation's GDP. However, multiple research institutions indicate that China's economic recovery after the pandemic has actually been slowing down. The moderate 5.5% growth rate was highly attributed to a lower base, as cities like Shanghai were in lockdown during the first half of 2022. From a quarter-to-quarter perspective, the GDP growth rate was only 2.2% for Q1 2023 and 0.8% for Q2 2023. China saw weaker export data due to geopolitical reasons and investment data due to slump of the real estate industry. Consumption recovery was initially slow, but it has now become the most stable force driving economic growth. In the first half of the year, consumption contributed 4.2% out of the whole 5.5% growth in GDP. In contrast, investment contributed 1.8%, while exports made a negative contribution of 0.6%. However, Recovery in consumption didn't live up to the expectation made by various institutions at the beginning of the year, mostly due to weaker job market as well as people's confidence in future economic growth. The Consumer Price Index (CPI) for June showed a month-on-month decline of 0.2%, bringing up fears that the country's economy might fall into deflation.

The Economy of Mainland China has a significant impact on Hong Kong due to the close geographic and economic ties between the two jurisdictions. In the past, there was this viewpoint that Hong Kong, as a connection window and buffer zone between mainland China and the world, would benefit from its unique status during times of international geopolitical changes, or would at least not be as negatively affected by such changes as compared to mainland China. This is now wrong. Given the current geopolitical situation, it is almost certain that if the economy in mainland China is performing poorly, Hong Kong will undoubtedly not be able to end up well either, or at least it is the case for Hong Kong's financial market.

## MANAGEMENT DISCUSSION AND ANALYSIS

The financial market in Hong Kong did see stumbles during the first half of 2023. Hang Sang Index is almost near the lowest close in more than a decade. For the equity markets, both primary and secondary markets exhibited varying degrees of contraction, leading to a sharp slowdown in investment banking activities as well as downsizing in some of the investment banks. In the first half of 2023, there were 33 new listings in Hong Kong, raising a total of HK\$17.9 billion in capital, a 22% increase in the number of new listings, and a 9% decrease in the amount of funds raised as compared to the first half of 2022, during which some of the cities in China were in lockdown mode. Majority of the funds raised during IPO were for enterprises from mainland China or with mainland China backgrounds. For bond market, the largest issuers of offshore USD bonds are Chinese real estate developers and local government financing vehicles (“LGFV”) in China. The real estate sector has experienced continuous defaults over the past two to three years, severely undermining investor confidence in the corresponding bonds. Coupled with the fact that the fundamentals of the real estate industry have not improved, it is difficult for new bonds to be issued. Additionally, LGFV bonds are currently recognized as the next potential source of severe default events, causing some investors to steer clear, resulting in a significant decrease in issuance compared to previous years. These two factors have had a profound impact on the bond issuance market. Under such a challenging background, the Group recorded a net loss of HK\$17.7 million during the first half of 2023.

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. However, under the current circumstances, 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. Despite the current stumbles, the city is still 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

Looking forward to the second half of 2023, the market conditions for Hong Kong remain uncertain and continue to face new challenges. The Group will keep continuous attention on the change of situation and make timely responses and adjustments in the future. 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 deploy 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 2023 and bring greater returns to our Shareholders. One of the shareholders, Yuanyin Holdings Limited, showed its support for and confidence in the Group by converting a HK\$150 million convertible bond into the Group's common stocks, bring the equity of the Company from the previous negative position.

In such context, the Group has formulated plans to further expand its existing business operations. Despite all the challenges, Hong Kong's role as a financial hub within the Greater Bay Area (GBA) continued to offer potential opportunities for the Group. Closer economic integration with neighboring cities presented prospects for cross-border investment, capital flows, and business expansion. The Group is now in consideration of exploring partnerships or alliances within the GBA to capitalize on these opportunities. 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 team up with regional financial institutions and government guided funds, to connect such institutions with global capitals via Hong Kong market, through either bond financing or equity financing. The Group will continue its efforts in funds management and discretionary accounts management services. In addition, the Group will continue to expand its financial consultancy businesses including corporate finance advisory services and mergers and acquisitions transactions. Further, management also decides to expand the margin financing services to help the Group's underwriting business and as a means of extra revenue sources. 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 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, cash and bank balances in general accounts maintained by the Group were approximately HK\$69.1 million, representing a decrease of approximately HK\$10.8 million from approximately HK\$79.9 million as at 31 December 2022. 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 2023 were approximately HK\$92.3 million (31 December 2022: HK\$82.4 million).

Trade and other receivables, prepayments, and trust bank balances held on behalf of clients were approximately HK\$106.6 million as at 30 June 2023 (31 December 2022: HK\$100.4 million), such increase was due to increase in client trust account balances. Trade and other payables and accruals were approximately HK\$109.7 million as at 30 June 2023 (31 December 2022: HK\$99.7 million), as a result of the increase in client trust accounts value.

The Group’s current assets and current liabilities as at 30 June 2023 were approximately HK\$203.1 million (31 December 2022: HK\$198.7 million) and approximately HK\$111.3 million (31 December 2022: HK\$251.85 million) respectively. The gearing ratio of the Group, measured as total debts to total assets, was approximately 0% as at 30 June 2023 (31 December 2022: 70%). As at 30 June 2023, the Group recorded net assets of approximately HK\$94.8 million (31 December 2022: net liabilities of approximately HK\$37.2 million) primarily as a result of conversion of convertible bonds. During the period ended 30 June 2023, the Group financed its operations with internally generated cash flow.

### 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 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 period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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, USD and RMB) in short term deposits with authorized institutions in Hong Kong.

### CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities.

### EVENTS AFTER THE REPORTING PERIOD

There have been no material events in relation to the Group occurring after the reporting period and up to the date of this report.

### PLEDGE OF ASSETS

As at 30 June 2023, the Group did not have any pledged assets.

### HUMAN RESOURCES

As at 30 June 2023, the Group employed 21 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.

### NO MATERIAL CHANGE

Since the publication of the latest annual report for the year ended 31 December 2022, there have been no material changes to the Company's business.

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY**

As at 30 June 2023, none of the Directors or chief executive had any interests in any shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2023, so far as the Directors are aware and as shown in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, other than interest disclosed above in respect of certain Directors and chief executive, the following shareholders had notified the Company of their relevant interests in the shares, underlying shares and convertible notes of the Company.

### LONG POSITION — ORDINARY SHARES OF HK\$0.05 EACH OF THE COMPANY

Name of Shareholder	Capacity	Number of shares held	Percentage of the issued Share capital of the Company
Yuanyin Holdings Limited	Beneficial owner	601,100,000	68.15%
	Interest of corporation controlled ( <i>Note (1)</i> )	1,917,000	0.22%
Zhao Jian Yun	Beneficial owner	35,714,286	4.05%
Meng Hao Xiang	Interest of spouse ( <i>Note (2)</i> )	35,714,286	4.05%
Shao Yong Chao	Beneficial owner	30,000,000	3.40%
Cao Hai Xia	Interest of spouse ( <i>Note (3)</i> )	30,000,000	3.40%

Notes:

- (1) Yuanyin Holdings Limited is deemed to be interested in 19,170,000 shares of the Company beneficially owned by Yuanyin International Limited, a wholly owned subsidiary of Yuanyin Holdings Limited.
- (2) Ms. Zhao Jianyun is the spouse of Mr. Meng Hao Xiang and was the beneficial owner of 35,714,286 Shares. Mr. Meng Hao Xiang was deemed to be interested in such 35,714,286 Shares within the meaning of Part XV of the SFO.
- (3) Mr. Shao Yongchao is the spouse of Ms. Cao Haixia and was the beneficial owner of 30,000,000 Shares. Ms. Cao Haixia was deemed to be interested in such 30,000,000 Shares within the meaning of Part XV of the SFO.

Other than the interests disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no other person (other than the Directors or chief executive of the Company) as having a notifiable interest or short position in the shares, underlying shares or convertible bonds of the Company as at 30 June 2023.

## SHARE OPTIONS

The Company adopted a share option scheme on 24 September 2004 (the “2004 Scheme”). 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 further option shall be granted under the 2004 Scheme, but the options granted under the 2004 Scheme prior to its expiry shall remain valid and exercisable in accordance with the terms of the respective grants. During the six months ended 30 June 2023, no share option has been granted under 2014 Scheme. At 30 June 2023, there were no shares in respect of which options has been granted and remained outstanding under the 2014 Scheme. For further details of the 2014 Scheme (including the principal terms of the 2014 Scheme), please refer to the circular dated 26 September 2014 and the annual report of the Company for the year 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 announcements of the Company dated 1 April 2021 and 21 May 2021.

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

## SHARE OPTIONS

The below table sets out the proposed and actual applications of the net proceeds up to 30 June 2023:

Use of net proceeds	Planned use of net proceeds (HK\$ million)	Net proceeds utilised up to 31 December 2022 (HK\$ million)	Unutilised amount as at 30 June 2023 (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 <sup>#</sup>	50.1 <sup>#</sup>	nil
<b>Total</b>	<b>149.8<sup>#</sup></b>	<b>149.8<sup>#</sup></b>	<b>nil</b>

Note:

<sup>#</sup> 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.

### CONVERSION OF CONVERTIBLE BONDS

On 13 February 2023, the Company received a conversion notice from Yuanyin Holdings Limited for the exercise of the conversion rights in respect of the SYHL Bonds with a principal amount of HK\$150,000,000. Upon fulfilling the conversion conditions of the SYHL Bonds, conversion of the SYHL Bonds took place on 18 May 2023 and 500,000,000 conversion shares at conversion price of HK\$0.3 per share were allotted and issued to Yuanyin Holdings Limited. For further details, please refer to the Company's announcements dated 13 February 2023, 26 April 2023 and 18 May 2023, and the Company's circular dated 26 April 2023.

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

During the six months ended 30 June 2023, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

### **AUDIT COMMITTEE**

The audit committee of the Company currently comprises Ms. Huang Qin (Chairman), Mr. Zhang Jinfan, and Mr. Huang Shuanggang, all of whom are non-executive Directors (Ms. Huang and Mr. Zhang as independent non-executive Directors) with appropriate professional qualifications and experience in financial matters. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters. The interim results and the unaudited financial statements for the six months ended 30 June 2023 have been reviewed by the audit committee.

### **REMUNERATION COMMITTEE**

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

### **NOMINATION COMMITTEE**

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

## CORPORATE GOVERNANCE

The Company is committed to maintain high standard of corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with the code on corporate governance practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months ended 30 June 2023.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 (the “Model Code”) of the Listing Rules as a code of conduct of the Company for Directors’ securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions throughout the six months ended 30 June 2023.

### BOARD OF DIRECTORS

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

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

Hong Kong, 24 August 2023