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盛源控股有限公司

SHENG YUAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 851)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

The board of directors (the “**Directors**”, collectively referred to as the “**Board**”) of Sheng Yuan Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces the consolidated results of the Group for the year ended 31 December 2023 (the “**Reporting Period**”) together with the comparative figures for the corresponding year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Revenue	6	7,594	48,657
Other gains and losses	7	(12,860)	(7,030)
Other income	8	4,933	7,158
Staff costs	10	(10,929)	(11,246)
Depreciation		(2,785)	(2,997)
Finance costs	9	(3,831)	(9,445)
Other expenses	10	(9,100)	(14,257)
Loss allowances on accounts receivable and other receivables, net		(483)	(14,521)
Loss before income tax	10	(27,461)	(3,681)
Income tax expense	11	(307)	(2,121)
Loss for the year		(27,768)	(5,802)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
— Exchange differences on translating foreign operations			
Exchange differences arising during the year		3	(46)
Other comprehensive income for the year		3	(46)
Total comprehensive income for the year		(27,765)	(5,848)
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	13		
— Basic		(4.00)	(1.52)
— Diluted		(4.00)	(1.52)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		404	579
Right-of-use assets	<i>17</i>	3,954	1,706
Trading rights		–	–
Goodwill		–	–
Other assets		205	1,705
Long-term deposit	<i>14</i>	510	–
Debt instruments held at fair value through profit or loss		–	11,989
		5,073	15,979
Current assets			
Accounts and other receivables, deposits and prepayments	<i>14</i>	28,267	18,021
Held for trading investments	<i>15</i>	10,747	15,936
Current tax assets		1,866	2,442
Debt instruments held at fair value through profit or loss		4,499	–
Trust bank balances held on behalf of clients		45,428	82,381
Cash and cash equivalents		47,166	79,929
		137,973	198,709

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current liabilities			
Accounts and other payables and accruals	<i>16</i>	53,558	99,673
Lease liabilities	<i>17</i>	1,540	2,270
Contract liabilities		619	513
Convertible bonds		–	149,388
		<u>55,717</u>	<u>251,844</u>
Net current assets/(liabilities)		<u>82,256</u>	<u>(53,135)</u>
Non-current liabilities			
Lease liabilities	<i>17</i>	<u>2,631</u>	–
Net assets/(liabilities)		<u><u>84,698</u></u>	<u><u>(37,156)</u></u>
EQUITY			
Share capital		88,197	38,197
Reserves		<u>(3,499)</u>	<u>(75,353)</u>
Total equity/(Capital deficiency)		<u><u>84,698</u></u>	<u><u>(37,156)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 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 Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is Units 3208–9, 32/F, Grand Millennium Plaza, Cosco Tower, No.183 Queen’s Road Central, Sheung Wan, Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”). Its parents and ultimate holding company is Yuanyin Holdings Limited, a company incorporated in the British Virgin Islands with limited liabilities.

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

The consolidated financial statements for the year ended 31 December 2023 were approved for issue by the board of directors on 1 April 2024.

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

2.1 New and amended HKFRSs effective for annual period beginning on or after 1 January 2023

The Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) has issued new and a number of amended HKFRSs that are first effective for the current accounting period of the Group. HKFRSs include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the HKICPA.

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

The adoption of new or amended HKFRSs has no material impact on the Group’s results, financial position and accounting policies except for the adoption of Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies” which are discussed below.

Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

The amendments require entities to disclose accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The impacts on the Group’s accounting policy disclosure resulted in removal or reduction of certain immaterial accounting policies.

2.2 Amended HKFRSs that have been issued but are not yet effective

The following amended HKFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued but are not yet effective and have not been early adopted by the Group. The directors of the Company anticipate that these pronouncements will be adopted in the Group’s accounting policies for the first period beginning after the effective date of the pronouncement.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the “ 2020 Amendments ”) ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²

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

² Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company are currently assessing the possible impact of these revised standards on the Group’s results and financial position in the first year of application. The directors of the Company anticipate that these amended HKFRSs are not expected to have a material impact on the Group’s consolidated financial statements.

3. PRIOR YEAR ADJUSTMENTS

In preparing the consolidated financial statements for the year ended 31 December 2023, the directors of the Company reassessed the trading arrangements for goods and product, including the rights and obligations in the terms of the contracts with various counterparties, with the aim of determining the appropriate accounting treatment for these trading arrangements. The Group has determined that the substance of these trading contracts, when viewed as a whole, effectively represents the provision of financing services to the counterparties with interest income received from the financial assets. The revenue and the purchase of inventories for trading business for year ended 31 December 2022 originally recorded in the consolidated statement of profit or loss and other comprehensive income was overstated by approximately HKD11,283,000.

The following tables disclose the restatements that have been made in order to reflect the above corrections to each of the line items in the consolidated financial statements as previously reported for the year ended 31 December 2022:

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022

	As previously reported <i>HK\$'000</i>	Effect of prior year adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Revenue	59,940	(11,283)	48,657
Other gains and losses	(7,030)	–	(7,030)
Other income	7,158	–	7,158
Purchase of inventories for trading business	(11,283)	11,283	–
Staff costs	(11,246)	–	(11,246)
Depreciation	(2,997)	–	(2,997)
Finance costs	(9,445)	–	(9,445)
Other expenses	(14,257)	–	(14,257)
Loss allowances on accounts receivable and other receivables, net	<u>(14,521)</u>	–	<u>(14,521)</u>
Loss before income tax	(3,681)	–	(3,681)
Income tax expense	<u>(2,121)</u>	–	<u>(2,121)</u>
Loss for the year	<u>(5,802)</u>	–	<u>(5,802)</u>
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
— Exchange differences on translating foreign operations			
Exchange differences arising during the year	<u>(46)</u>	–	<u>(46)</u>
Other comprehensive income for the year	<u>(46)</u>	–	<u>(46)</u>
Total comprehensive income for the year	<u><u>(5,848)</u></u>	–	<u><u>(5,848)</u></u>
Loss per share			
— Basic and diluted (<i>HK cents</i>)	<u><u>(1.52)</u></u>	–	<u><u>(1.52)</u></u>

4. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

5. 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, general advisory services and custodian 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—financing services.

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.

2023	Securities brokerage and financial services <i>HK\$'000</i>	Asset management services <i>HK\$'000</i>	Proprietary trading <i>HK\$'000</i>	Trading business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue					
External customers					
— Fee and commission income	4,131	2,959	—	—	7,090
— Margin financing income	226	—	—	—	226
— Financing services income	—	—	—	278	278
	<u>4,357</u>	<u>2,959</u>	<u>—</u>	<u>278</u>	<u>7,594</u>
Revenue from external customers					
— Timing of revenue recognition					
Point in time	1,790	—	—	—	1,790
Over time	2,341	2,959	—	—	5,300
Revenue from other sources	<u>226</u>	<u>—</u>	<u>—</u>	<u>278</u>	<u>504</u>
	<u>4,357</u>	<u>2,959</u>	<u>—</u>	<u>278</u>	<u>7,594</u>
— Geographical region					
Hong Kong	<u>4,357</u>	<u>2,959</u>	<u>—</u>	<u>278</u>	<u>7,594</u>
Reportable segment result	<u>(3,009)</u>	<u>4,614</u>	<u>(11,188)</u>	<u>113</u>	<u>(9,470)</u>
Loss allowances/(Reversal of loss allowance) on accounts receivable and other receivables					
	3,259	(5,486)	2,578	132	483
Changes in fair value of held for trading investments					
	—	—	(4,941)	—	(4,941)
Changes in fair value of debt instruments held at FVTPL					
	—	—	(7,490)	—	(7,490)
Interest income from banks and others					
	1,245	27	62	—	1,334
Reportable segment assets	<u>47,317</u>	<u>1,320</u>	<u>16,276</u>	<u>23,084</u>	<u>87,997</u>
Reportable segment liabilities	<u>47,392</u>	<u>601</u>	<u>366</u>	<u>52</u>	<u>48,411</u>

2022	Securities brokerage and financial services <i>HK\$'000</i>	Asset management services <i>HK\$'000</i>	Proprietary trading <i>HK\$'000</i>	Trading business <i>HK\$'000</i> (Restated)	Total <i>HK\$'000</i> (Restated)
Reportable segment revenue					
External customers					
— Fee and commission income	27,666	20,823	—	—	48,489
— Financing services income	—	—	—	168	168
	<u>27,666</u>	<u>20,823</u>	<u>—</u>	<u>168</u>	<u>48,657</u>
Revenue from external customers					
— Timing of revenue recognition					
Point in time	27,386	—	—	—	27,386
Over time	280	20,823	—	—	21,103
Revenue from other sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>168</u>	<u>168</u>
	<u>27,666</u>	<u>20,823</u>	<u>—</u>	<u>168</u>	<u>48,657</u>
— Geographical region					
Hong Kong	<u>27,666</u>	<u>20,823</u>	<u>—</u>	<u>168</u>	<u>48,657</u>
Reportable segment result	<u>18,587</u>	<u>6,196</u>	<u>(2,022)</u>	<u>141</u>	<u>22,902</u>
Loss allowances on accounts receivable and other receivables					
	4,785	9,736	—	—	14,521
Changes in fair value of held for trading investments					
	—	—	150	—	150
Changes in fair value of debt instruments held at FVTPL					
	—	—	(7,410)	—	(7,410)
Interest income from banks and others					
	1,205	7	—	—	1,212
Reportable segment assets	<u>83,027</u>	<u>11,495</u>	<u>29,856</u>	<u>61</u>	<u>124,439</u>
Reportable segment liabilities	<u>82,883</u>	<u>712</u>	<u>6,849</u>	<u>60</u>	<u>90,504</u>

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs, except that certain other income; directors' emoluments; interest expenses on lease liabilities and liability component of the convertible bonds; income tax expense; and corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segments. Common expenditures are allocated between operating segments based on proportion of segment revenue where necessary. Inter-segment revenue are charged on the expenses incurred by the relevant subsidiary plus certain percentage.

Segment assets include all assets but do not include current tax assets, property, plant and equipment, right-of-use assets and bank balances of the Group. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarters. Segment liabilities include all liabilities but do not include current tax liabilities, lease liabilities and convertible bonds. In addition, corporate liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

The amounts presented for the Group's operating segments are reconciled to the Group's key financial figures as presented in the consolidated financial statements as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Reportable segment revenue	<u>7,594</u>	<u>48,657</u>
Group's revenue	<u><u>7,594</u></u>	<u><u>48,657</u></u>
Reportable segment result	(9,470)	22,902
Other income	9	729
Finance costs	(3,831)	(9,445)
Corporate expenses**	<u>(14,169)</u>	<u>(17,867)</u>
Group's loss before income tax	<u><u>(27,461)</u></u>	<u><u>(3,681)</u></u>

	2023	2022
	HK\$'000	HK\$'000
Reportable segment assets	87,997	124,439
Current tax assets	1,866	2,442
Cash and cash equivalents	47,166	79,929
Corporate assets	6,017	7,878
	<u>143,046</u>	<u>214,688</u>
Group's assets		
Reportable segment liabilities	48,411	90,504
Convertible bonds	–	149,388
Corporate liabilities	9,937	11,952
	<u>58,348</u>	<u>251,844</u>
Group's liabilities		

	Reportable		Unallocated		Consolidated	
	segment total		2023		2022	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other material items						
Depreciation	–	–	2,785	2,997	2,785	2,997
Finance costs	–	–	3,831	9,445	3,831	9,445
	<u>–</u>	<u>–</u>	<u>3,831</u>	<u>9,445</u>	<u>3,831</u>	<u>9,445</u>

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's non-current assets*. The geographical location of customers is based on the location at which the subsidiary operates. The geographical location of non-current assets* is based on the physical location of the asset, in the case of property, plant and equipment and right-of-use assets.

	Revenue from		Non-current assets*	
	external customers		2023	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		
Hong Kong (domicile)#	<u>7,594</u>	<u>48,657</u>	<u>4,358</u>	<u>2,285</u>

* Non-current assets exclude financial instruments and other assets.

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

The Company is an investment holding company incorporated in Bermuda where the Group does not have any activities. The Group has the majority of its operations in Hong Kong, and therefore, Hong Kong is considered as the Group's place of domicile for the purpose of disclosures as required by HKFRS 8, Operating Segments.

The Group's customers include the following with whom transactions have exceeded 10% of the Group's revenue:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Customer A <i>(note i)</i>	–	9,161
Customer B <i>(note ii)</i>	–	10,000
Customer C <i>(note ii)</i>	2,243	6,616
Customer D <i>(note i)</i>	–	5,820
Customer E <i>(note i)</i>	–	5,820

Notes:

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

6. REVENUE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Revenue from contracts with customers		
Fee and commission income		
Securities brokerage and financial services segment:		
— Securities and futures brokerage	1,066	1,442
— Corporate finance service income	600	–
— Consultancy fee income	643	–
— Underwriting and placing	724	25,944
— Custodian fee	1,098	280
	4,131	27,666
Asset management services segment:		
— Fund and portfolio management and investment advisory	2,959	20,823
Revenue from other sources		
Interest income calculated using the effective interest method		
— Financing services	278	168
— Margin financing	226	–
	504	168
Total	7,594	48,657

The following table provides information about accounts receivable and contract liabilities from contracts with customers:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Accounts receivable (<i>Note 14</i>)	2,219	13,949
Contract liabilities	619	513

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its customer contracts relating to fund and portfolio management and investment advisory services such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less and any estimated amounts of variable consideration that are constrained.

7. OTHER GAINS AND LOSSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Changes in fair value of debt instruments held at FVTPL	(7,490)	(7,410)
Changes in fair value of held for trading investments	(4,941)	150
Net foreign exchange (loss)/gain	(429)	222
Other	–	8
	(12,860)	(7,030)

8. OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest income from banks and others	1,334	1,223
Interest income from debt instruments (<i>note a</i>)	1,213	2,648
Interest spread arising from debt instruments arrangement (<i>note b</i>)	1,637	1,785
Dividend income from equity instrument	742	784
Government subsidies (<i>note c</i>)	–	456
Sundry income	7	262
	4,933	7,158

Notes:

(a) It represented the interest income of listed bond carrying interest at 12.5% per annum.

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

The effect of the purchase of the Atta Notes, which is a leveraged note, by the Group with the corresponding part of the proceeds from Kingwell Notes is that the Group has facilitated an additional leverage subscription of the listed bonds as Atta Assets has also subscribed for the listed bonds for economic hedge purpose. In this respect, pursuant to the terms of the Atta Notes and the Kingwell Notes, the Group is able to earn an interest spread of approximately 2% per annum of its principal subscription amount of the Atta Notes, being the difference between its interest receivables from the Atta Notes and its interest payables under the Kingwell Notes. During the year ended 31 December 2023, the Group recognised a net note interest spread of US\$211,000 (approximately HK\$1,637,000) under other income (2022: US\$230,000 (approximately HK\$1,785,000)).

Further details on the above transactions are detailed in the Company’s announcements 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 for the year ended 31 December 2022. There were no unfulfilled and other contingencies attaching to ESS.

9. FINANCE COSTS

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Effective interest on liability component of convertible bonds	3,612	8,993
Interest on lease liabilities (<i>note 17</i>)	219	452
	<u>3,831</u>	<u>9,445</u>

10. LOSS BEFORE INCOME TAX

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss before income tax is arrived at after charging:		
Staff costs, including directors' emoluments		
— Fees, salaries, allowances and bonuses	10,026	10,928
— Retirement benefit scheme contributions	334	318
— Provision for long service payment	569	—
	<u>10,929</u>	<u>11,246</u>
Other expenses		
— Auditor's remuneration	1,909	1,965
— Expense relating to short-term leases	299	105
— Others	6,892	12,187
	<u>9,100</u>	<u>14,257</u>

11. INCOME TAX EXPENSES

Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime for both current and previous years. Under the two-tier profits tax rates regime, the first HK\$2 million of profits of qualifying corporation are taxed at 8.25%, and profits above HK\$2 million are taxed at 16.5%. The profits of corporation not qualifying for the two-tier profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax—Hong Kong profits tax		
— Provision for current year	58	2,002
— Under provision in respect of prior years	249	119
	<u>307</u>	<u>2,121</u>
Total income tax expense	<u>307</u>	<u>2,121</u>

12. DIVIDENDS

No dividend was proposed or paid during the years ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

13. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$27,768,000 (2022: HK\$5,802,000) and the weighted average number of 694,299,308 (2022: 381,970,541) ordinary shares in issue during the year.

Diluted loss per share

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

14. ACCOUNTS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivable	41,208	32,002
Less: Loss allowances	(15,958)	(18,053)
	25,250	13,949
Prepayments	270	365
Other receivables and deposits*	4,519	2,901
Rental deposit	1,316	806
Less: Loss allowances	(2,578)	–
	3,527	4,072
	28,777	18,021

* Comprised mainly receivables arising from a debt instrument arrangement of HK\$3,422,000 (2022: HK\$1,785,000).

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysis for reporting purposes:		
Current	28,267	18,021
Non-current	510	–
	28,777	18,021

The movement in the allowance for impairment of accounts and other receivables is set out below:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At the beginning of the year	18,053	3,532
Impairment losses recognised	483	14,521
	<hr/>	<hr/>
At the end of the year	18,536	18,053
	<hr/> <hr/>	<hr/> <hr/>

The analysis of accounts receivable is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Arising from the business of dealing in securities and futures contracts		
— HKSCC and HKCC	1,014	—
— Securities broker	2	—
	<hr/>	<hr/>
	1,016	—
Arising from asset management services	8,373	23,809
Arising from underwriting and placing services	8,000	8,000
Arising from custodian services	377	193
Arising from financing services	23,162	—
Arising from corporate finance services	280	—
	<hr/>	<hr/>
	40,192	32,002
Less: Loss allowances	(15,958)	(18,053)
	<hr/>	<hr/>
	25,250	13,949
	<hr/> <hr/>	<hr/> <hr/>

The normal settlement terms of accounts receivable arising from the business of dealing in securities are one to two business days after the respective trade dates. The normal settlement terms of accounts receivable arising from the business of dealing in futures contracts are one business day after the respective trade dates. The amount due from margin clients are repayable on demand subsequent to the settlement date and bear interest at Hong Kong Dollar Prime Rate plus a spread of 6% (2022: Hong Kong Dollar Prime Rate plus a spread of 5%) per annum. The amounts due from HKSCC and HKCC are repayable on demand except for the required margin deposits for the trading of futures contracts.

Settlement of amounts arising from asset management service, underwriting and placing services, corporate finance services and custodian services is in accordance with the terms set out in respective agreements, usually within one year after the service obligation has been fulfilled. And the settlement of amounts arising from financing services are normally due immediately from date of billing with a credit period of 60 days on average to its client.

The following table provides information about the exposure to credit risk for amounts arising from asset management, underwriting and placing services, corporate finance services and custodian services:

	2023		
	Expected	Gross	Loss
	loss rate	carrying	allowance
	(%)	amount	allowance
		HK\$'000	HK\$'000
Not yet past due	0.46	432	(2)
0–30 days past due	6.76	636	(43)
31–60 days past due	0.00	20	–
61–90 days past due	5.00	20	(1)
91–180 days past due	6.45	62	(4)
181–270 days past due	21.54	65	(14)
271–365 days past due	80.81	172	(139)
Over 365 days past due	100.00	15,623	(15,623)
		<u>17,030</u>	<u>(15,826)</u>
		<u><u>17,030</u></u>	<u><u>(15,826)</u></u>
		2022	
	Expected	Gross	Loss
	loss rate	carrying	allowance
	(%)	amount	allowance
		HK\$'000	HK\$'000
Not yet past due	0.11	3,558	(4)
0–30 days past due	3.43	1,805	(62)
31–60 days past due	9.82	1,802	(177)
61–90 days past due	15.76	1,383	(218)
91–180 days past due	28.71	2,731	(784)
181–270 days past due	57.05	9,072	(5,176)
271–365 days past due	97.59	766	(748)
Over 365 days past due	100.00	10,884	(10,884)
		<u>32,002</u>	<u>(18,053)</u>
		<u><u>32,002</u></u>	<u><u>(18,053)</u></u>

15. HELD FOR TRADING INVESTMENTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Listed equity securities	<u>10,747</u>	<u>15,936</u>

16. ACCOUNTS AND OTHER PAYABLES AND ACCRUALS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Accounts payable arising from the business of dealing in securities and futures contracts		
— Cash clients	46,346	69,851
— Margin clients	<u>94</u>	<u>12,258</u>
	46,440	82,109
Other payables	3,355	14,145
Accruals	3,118	3,343
Long service payment obligations	<u>645</u>	<u>76</u>
	<u>53,558</u>	<u>99,673</u>

The normal settlement terms of accounts payable arising from the business of dealing in securities are one to two business days after the respective trade dates. The normal settlement terms of accounts payable 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 accounts payable is disclosed as, in the opinion of the directors, the ageing analysis does not give additional value in view of the business nature.

17. LEASES

During the year ended 31 December 2023, the Group leased an office property from which it operated and does not contain any extension option. There was no potential future cash outflows for the year ended 31 December 2023 as the new lease agreement does not contain extension option.

In prior years, the Group leased a number of office properties from which it operated. Rental contracts are typically made for a fixed period of 3 years, but might have extension options which was exercisable by the Group to further extend the lease terms for 3 years.

As at 31 December 2022, the extension option in office leases had not been included in the lease liability since the Group could replace the assets without significant cost or business disruption. As at 31 December 2022, potential future cash outflows of HK\$8,650,000 (undiscounted) had not been included in the lease liabilities because it is not reasonably certain that the leases will be extended.

None of the leases contain variable lease payments.

Set out below are the carrying amounts of right-of-use assets and lease liabilities recognised and the movements during the year:

Right-of-use assets

	Land and buildings	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	1,706	4,008
Additions	4,448	–
Depreciation	(2,200)	(2,302)
	<u>3,954</u>	<u>1,706</u>

Lease liabilities

	Land and buildings	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	2,270	4,702
Additions	4,448	–
Interest expense	219	452
Lease payments	(2,766)	(2,884)
	<u>4,171</u>	<u>2,270</u>
Analysed into:		
Current liabilities	1,540	2,270
Non-current liabilities	2,631	–

As at 31 December 2023 and 2022, the Group had total future lease payments for leases committed but not yet commenced falling due as follows:

	Minimum lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
Not later than one year	<u>2,402</u>	<u>(132)</u>	<u>2,270</u>
At 31 December 2022	<u><u>2,402</u></u>	<u><u>(132)</u></u>	<u><u>2,270</u></u>
Not later than one year	1,744	(204)	1,540
Later than one year and not later than two years	<u>2,762</u>	<u>(131)</u>	<u>2,631</u>
At 31 December 2023	<u><u>4,506</u></u>	<u><u>(335)</u></u>	<u><u>4,171</u></u>

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

	2023 HK\$'000	2022 HK\$'000
Depreciation expense of right-of-use assets	2,200	2,302
Interest on lease liabilities (<i>note 9</i>)	219	452
Expense relating to short-term leases	<u>299</u>	<u>105</u>

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

The total cash outflow for lease in the year ended 31 December 2023 was HK\$3,065,000 (2022: HK\$2,989,000).

18. EVENT AFTER REPORTING PERIOD

As at the date of authorisation of the consolidated financial statements, the fair value of debt instruments held at FVTPL had declined significantly to approximately HK\$760,000 and the Group recognised a fair value loss of debt instruments held at FVTPL amounted to approximately HK\$3,739,000 subsequent to the current financial period.

FINAL DIVIDEND

The Directors did not recommend the payment of any dividend for the year ended 31 December 2023.

BUSINESS AND FINANCIAL REVIEW

For the year ended 31 December 2023, the revenue of the Group decreased to approximately HK\$7.6 million, representing a 84.4% decrease as compared with approximately HK\$48.7 million for the year ended 31 December 2022. Loss for the year ended 31 December 2023 was approximately HK\$27.8 million, as compared with a loss of approximately HK\$5.8 million for the year ended 31 December 2022. Such an increase is primarily attributable to increases in some expense item, including other gains and losses for the year ended 31 December 2023. The decrease in revenue is mainly due to worsen market conditions and client change their investment strategy.

During the year ended 31 December 2023, the total revenue of Sheng Yuan Financial Services Group Limited (a subsidiary of the Company) and its subsidiaries (collectively, the “**SYFS Group**”) decreased by approximately 84.9% to approximately HK\$7.3 million (2022: HK\$48.5 million). For securities business, revenue from securities brokerage and financial services during the year ended 31 December 2023 decreased by 84.1% to approximately HK\$4.4 million (2022: approximately HK\$27.7 million); segment result recorded a loss of approximately HK\$3.0 million (2022: profit approximately HK\$18.6 million). Such decrease in both revenue and profit was mainly because some clients paused their Debt Capital Market (“**DCM**”) and Equity Capital Market (“**ECM**”) projects during the year.

For asset management business, as of 31 December 2023, SYAM acted as the fund manager or investment adviser for one fund and three discretionary accounts. The total assets under management (the “**AUM**”) of SYAM decreased by 6% to approximately HK\$662 million for the year ended 31 December 2023 (2022: approximately HK\$706 million). During the year ended 31 December 2023, the Group recorded segment revenue of approximately HK\$3 million (2022: approximately HK\$20.8 million) generated from asset management business, representing a decrease of approximately 85.6%; it recorded segment profit of approximately HK\$4.6 million (2022: HK\$6.2 million), representing a decrease of approximately 25.8%. The decrease in the segment revenue was mainly to the decrease in management fees as a result of the redemption of funds upon the maturity of some investment holdings, and the termination of several investment advisory contracts which resulted in a drop in total asset under management and thus the management fee income.

For proprietary trading business, the Company mainly invests, through its subsidiaries, in the listed shares and real estate bonds in the Hong Kong market. During the year ended 31 December 2023, as the cash position of the Group dropped significantly, the Group paused its proprietary trading business. The segment loss from the proprietary trading business was approximately HK\$11.2 million (2022: segment loss of approximately HK\$2 million).

The Group continued its trade financing business during the year to expand and diversify its source of revenue. During the year ended 31 December 2023, the segment achieved a profit of approximately HK\$0.11 million (2022: a profit of approximately HK\$0.14 million). The Group adopted HKFRS 9 to account for its trade financing process in 2023.

PROSPECTS AND FUTURE PLANS

Looking forward to 2024, the market conditions for Hong Kong remain uncertain and continue to face new challenges. Evolving China-US relations and geopolitical tensions are also risk factors that warrant attention. Due to the abovementioned factors, the Directors expect that there are still existences of uncertainties and adverse effects on the overall business of our Group with the weak economic conditions in Hong Kong. To cope with the challenging environments, the Group will continue to evaluate development opportunities to strengthen its competitive advantage through deploy more resources for seizing this market potential and broadening its revenue so as to generate value for shareholders. The Directors are confident to achieve sustainable growth from 2023 and bring greater returns to our shareholders.

The Group has formulated business plans to enhance its financial positions, as well as to develop its existing business operations. For the securities brokerage business, the Group will utilize its expertise and network to secure DCM and ECM deals in order to generate underwriting income. The Group will also step up its efforts in the asset management business by establishing additional funds of various types, developing more financial products, and expanding its customer base to keep abreast of the market trends by focusing on high-valued customers and potential professional investor groups, the Group also tries to resume its proprietary trading and trading business to expand its source of revenue. Furthermore, the management team is dedicated to continually taking active steps to control the Group's operating costs and improve operating efficiency in order to generate greater returns for its shareholders.

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

ACQUISITION AND DISPOSAL

There were no material acquisitions or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2023, cash and bank balances in general accounts maintained by the Group were approximately HK\$47.1 million, representing a decrease of approximately 41% from approximately HK\$79.9 million as of 31 December 2022. Balances in trust and segregated accounts were approximately HK\$45.4 million, representing a decrease of approximately 44.9% from approximately HK\$82.4 million as of 31 December 2022. Accounts and other receivables, deposits and prepayments were approximately HK\$28.8 million as at 31 December 2023, representing an increase of approximately 60% from approximately HK\$18 million in 2022. Such increase is mainly due to increased account receivable from trade financing business. Accounts and other payables and accruals were approximately HK\$53.6 million as at 31 December 2023 (2022: HK\$99.7 million). The Group's current assets and current liabilities as of 31 December 2023 were approximately HK\$138.0 million (2022: HK\$198.7 million) and approximately HK\$55.7 million (2022: HK\$251.8 million), respectively. The long-term liability as of 31 December 2023 was HK\$2.6 million (2022: Nil). The gearing ratio of the Group, measured as total debts to total assets, was approximately 0% as at 31 December 2023 (2022: 70%). As at 31 December 2023, the Group recorded net assets of approximately HK\$84.7 million (2022: net liabilities HK\$37.2 million). During the year ended 31 December 2023, the Group financed its operations with internally generated cash flows.

FOREIGN EXCHANGE RISK MANAGEMENT

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

CAPITAL STRUCTURE

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

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities.

DIVIDEND POLICY

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

PLEDGE OF ASSETS

As at 31 December 2023, the Group did not have any pledged assets.

HUMAN RESOURCES

As at 31 December 2023, the Group employed 19 employees. The remuneration policy and package of the Group's employees are maintained at the market level and are reviewed annually by management. In addition to the basic salary, discretionary bonuses, mandatory pension fund, and medical insurance scheme, share options may also be granted to eligible employees at the discretion of the Board and are subject to the performance of the individual employees as well as the Group.

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

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

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

During the year ended 31 December 2023, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with Rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audited results for the year ended 31 December 2023 have been reviewed by the Audit Committee. The Audit Committee comprises three members namely Ms. Huang Qin (Chairman), Mr. Zhang Jinfan, and Mr. Huang Shuanggang. Ms. Huang Qin and Mr. Zhang Jinfan are both independent non-executive Directors, and Mr. Huang Shuanggang is a non-executive Director.

REMUNERATION COMMITTEE

The Remuneration Committee has been set up with written term of reference in accordance with the requirements of the Listing Rules. The Remuneration Committee comprises three independent non-executive Directors namely, Mr. Zhang Jinfan (Chairman), Ms. Huang Qin, and Mr. Guo Yaoli.

NOMINATION COMMITTEE

The Nomination Committee has been set up with written term of reference in accordance with the requirements of the Listing Rules. The Nomination Committee comprises the Chairman of the Board and two independent non-executive Directors namely, Mr. Zhou Quan (Chairman), Mr. Zhang Jinfan and Mr. Guo Yaoli.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standard of corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with the code provisions on corporate governance practices (the “**Code**”) as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the year ended 31 December 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) of the Listing Rules as a code of conduct of the Company for directors’ securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company’s code of conduct regarding directors’ securities transactions throughout the year ended 31 December 2023.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “**AGM**”) will be held on 31 May 2024 in Hong Kong. The Notice of AGM will be published and despatched to the shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024, both days inclusive, during which period no transfer of ordinary shares will be registered. In order to determine the identity of ordinary shareholder(s) who is entitled to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 27 May 2024.

SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company (<https://shengyuanhk.com>) and the Stock Exchange (www.hkexnews.hk). The annual report for the year ended 31 December 2023 of the Company containing all information required by the Listing Rules will be dispatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 1 April 2024

As at the date of this announcement, the Board consists of 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 (all being independent non-executive Directors).