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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board of directors (the “**Directors**”, collectively referred to as the “**Board**”) of Sheng Yuan Holdings Limited (the “**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2023 as follows. These interim results have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024	2023
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	14,410	3,673
Other gains and losses	6	15,051	(3,998)
Other income	7	4,085	3,256
Staff costs	8	(4,284)	(5,617)
Depreciation		(843)	(1,501)
Finance costs	8	(114)	(3,720)
Reversal of loss allowances/(Loss allowances) on accounts receivables and other receivables, net		5,315	(5,909)
Other expenses		(3,236)	(3,872)
Profit/(Loss) before income tax	8	30,384	(17,688)
Income tax expense	9	(581)	–
Profit/(Loss) for the period		29,803	(17,688)

		Six months ended 30 June	
		2024	2023
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
— Exchange differences on translating foreign operations			
Exchange differences arising during the period		<u>3</u>	<u>3</u>
Other comprehensive income for the period		<u>3</u>	<u>3</u>
Total comprehensive income for the period		<u>29,806</u>	<u>(17,685)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings/(Loss) per share			
— Basic	<i>11</i>	<u>3.38</u>	<u>(3.51)</u>
— Diluted		<u>3.38</u>	<u>(3.51)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>Notes</i>	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>12</i>	302	404
Right-of-use assets	<i>13</i>	3,213	3,954
Trading rights		–	–
Goodwill		–	–
Other assets		205	205
Long-term deposit	<i>14</i>	510	510
		4,230	5,073
Current assets			
Accounts and other receivables and prepayments	<i>14</i>	13,700	28,267
Held for trading investments	<i>15</i>	10,762	10,747
Debt instruments held at fair value through profit or loss	<i>16</i>	–	4,499
Current tax assets		3,078	1,866
Trust bank balances held on behalf of clients		701,957	45,428
Cash and cash equivalents		88,583	47,166
		818,080	137,973
Current liabilities			
Accounts and other payables and accruals	<i>17</i>	703,844	53,558
Lease liabilities	<i>13</i>	1,540	1,540
Contract liabilities		550	619
		705,934	55,717
Net current assets		112,146	82,256
Non-current liabilities			
Lease liabilities	<i>13</i>	1,872	2,631
Net assets		114,504	84,698
EQUITY			
Share capital	<i>18</i>	88,197	88,197
Reserves		26,307	(3,499)
Total equity		114,504	84,698

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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**”).

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 2024 were approved for issue by the board of directors on 23 August 2024.

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 2023.

2. ADOPTION OF 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 2024. 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 amendments to HKFRSs has no material impact on the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HK-Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

3. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2024 has been prepared in compliance with HKAS 34 “Interim Financial Reporting” issued by the HKICPA and with the applicable requirements of Appendix D2 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 2023, 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, 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.

During the six months ended 30 June 2024, 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.

	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>
Six months ended 30 June 2024					
(Unaudited)					
Reportable segment revenue					
External customers					
— Fee and commission income	9,929	4,309	–	–	14,238
— Financing services income	–	–	–	172	172
	<u>9,929</u>	<u>4,309</u>	<u>–</u>	<u>172</u>	<u>14,410</u>
Fee and commission income from external customers					
— Timing of revenue recognition					
Point in time	1,157	–	–	–	1,157
Over time	8,772	4,309	–	–	13,081
Revenue from other sources	<u>–</u>	<u>–</u>	<u>–</u>	<u>172</u>	<u>172</u>
	<u>9,929</u>	<u>4,309</u>	<u>–</u>	<u>172</u>	<u>14,410</u>
— Geographical region					
Hong Kong	<u>9,929</u>	<u>4,309</u>	<u>–</u>	<u>172</u>	<u>14,410</u>
Reportable segment result	<u>5,140</u>	<u>10,522</u>	<u>19,678</u>	<u>300</u>	<u>35,640</u>
As at 30 June 2024 (Unaudited)					
Reportable segment assets	<u>708,848</u>	<u>10,069</u>	<u>10,915</u>	<u>53</u>	<u>729,885</u>
Reportable segment liabilities	<u>737,779</u>	<u>600</u>	<u>12</u>	<u>52</u>	<u>738,443</u>

	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>
Six months ended 30 June 2023					
(Unaudited)					
Reportable segment revenue					
External customers					
— Fee and commission income	1,890	1,727	—	—	3,617
— Margin financing income	56	—	—	—	56
	<u>1,946</u>	<u>1,727</u>	<u>—</u>	<u>—</u>	<u>3,673</u>
Fee and commission income from external customers					
— Timing of revenue recognition					
Point in time	1,310	—	—	—	1,310
Over time	580	1,727	—	—	2,307
Revenue from other sources	<u>56</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>56</u>
	<u>1,946</u>	<u>1,727</u>	<u>—</u>	<u>—</u>	<u>3,673</u>
— Geographical region					
Hong Kong	<u>1,946</u>	<u>1,727</u>	<u>—</u>	<u>—</u>	<u>3,673</u>
Reportable segment result	<u>(3,696)</u>	<u>(1,393)</u>	<u>(2,781)</u>	<u>(6)</u>	<u>(7,876)</u>
As at 30 June 2023 (Unaudited)					
Reportable segment assets	<u>102,614</u>	<u>3,686</u>	<u>17,371</u>	<u>53</u>	<u>123,724</u>
Reportable segment liabilities	<u>93,408</u>	<u>502</u>	<u>4,825</u>	<u>52</u>	<u>98,787</u>

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

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Reportable segment result	35,640	(7,876)
Finance costs	(114)	(3,720)
Corporate expenses**	(5,142)	(6,092)
	<u>30,384</u>	<u>(17,688)</u>

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

5. REVENUE

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Fee and commission income		
Securities brokerage and financial services segment:		
— Securities and futures brokerage	1,157	586
— Corporate finance service income	6,480	—
— Consultancy fee income	127	280
— Placing and underwriting	—	724
— Custodian fee	2,165	300
	<u>9,929</u>	1,890
Asset management services segment:		
— Fund and portfolio management and investment advisory	1,205	1,727
— Corporate advisory service income	3,104	—
	<u>4,309</u>	1,727
Revenue from other sources		
Interest income calculated using the effective interest method		
— Financing services	172	—
— Margin financing	—	56
	<u>14,410</u>	<u>3,673</u>

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Change in fair value of debt instruments held at fair value through profit or loss (<i>notes 7(a) and 16</i>)	14,901	(3,306)
Changes in fair value of held for trading investments	15	(533)
Net foreign exchange gain/(loss)	135	(159)
	<u>15,051</u>	<u>(3,998)</u>

7. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income from banks and others	1,048	685
Interest income from debt instruments held at fair value through profit or loss (<i>Note a</i>)	2,425	1,213
Net interest spread arising from debt instruments arrangement (<i>Note b</i>)	–	893
Dividend income	451	465
Sundry income	161	–
	<u>4,085</u>	<u>3,256</u>

Notes:

- (a) It represented the interest income of listed bond carrying interest at 12.5% per annum. The Group disposal of the debt instruments during the six months period ended 30 June 2024.

On 26 April 2024, Kingwell Management Limited (“**Kingwell**”) and Sheng Yuan Investment Advisors Limited (“**SYIA**”), which are wholly-owned subsidiaries of the Group, and Flourishing Fountain Investment Limited (“**Flourishing**”), an independent third party, (collectively as the “**Relevant Parties**”) entered into a settlement agreement which agreed to the following arrangement:

- (1) pursuant to the terms of the Triparty Agreement dated 11 September 2021 entered between the Relevant Parties, among others, all proceeds received or to be received by Kingwell from the SY Proprietary Investments (as further explained in note 7(b)) and the Flourishing Fund’s Subscriptions (as further explained in note 7(b)) (“**Subscriptions**”) shall first be applied for fulfilment of Kingwell’s payment obligations to SYIA in relation to the SY Proprietary Investments (including the payment of interests and repayment of principal, as applicable), regarding the SY Proprietary Investments (the “**Prioritised Payment Arrangement**”) and the remaining proceeds (if any, after any taxes and relevant costs and expenses) to be applied for fulfilment of Kingwell’s payment obligations to Flourishing (including the payment of interests and repayment of principal, as applicable, regarding the Kingwell Notes (as further explained in note 7(b))).

On or prior to 26 April 2024, Flourishing shall make payments to Kingwell in an aggregate amount of US\$2,442,200 (approximately HK\$18,949,920) and instructing Kingwell to, upon receipt of such amount, pay to SYIA such US\$2,442,200, the aggregate amount of US\$2,812,500 (approximately HK\$21,825,000) and the sum of US\$370,300 (approximately HK\$2,874,000), being the proceeds received by Kingwell owed to Flourishing from the Subscriptions, in consideration for SYIA assigned all of its rights, benefits and interests under the Prioritised Payment Arrangement to Flourishing (the “**Payoff**”); and

- (2) promptly upon the completion of the Payoff, Kingwell shall, by transferring the remaining Flourishing Fund’s Subscriptions and the SY Proprietary Investments to Flourishing, be deemed to have (a) redeemed all of the Kingwell Notes subscribed by Flourishing and (b) discharged any and all of the outstanding principal and interests due and payable under the Prioritised Payment Arrangement in full.

Arising from the Payoff, the Group recognised a fair value gain of debt instruments of fair value through profit or loss of HK\$14,901,000.

Further details on the above transactions are detailed in the Company’s announcements dated on 26 April 2024.

- (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) (“**SY Proprietary Investments**”) 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, 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 Asset 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.

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

On 21 March 2024, the Group and Atta Asset entered into a termination agreement which agreed to the following arrangement:

- (1) the Atta Notes purchase agreement and the subscription of Atta Notes thereunder was terminated on 21 March 2024 pursuant to the Atta Notes purchase agreement, and that Atta Asset repaid the Group of US\$10,000,000 (being the subscription amount of the Subscription of Atta Notes) and the agreed interests of US\$3,330,000 (collectively as the “**Repayment Amount**”) on 21 March 2024;

- (2) notwithstanding anything contrary to the terms and conditions in the Atta Notes purchase agreement, the Kingwell Notes subscription agreement and the Triparty Agreement, (i) a total of US\$12,916,667 out of the Repayment Amount was settled separately between Atta Asset and Flourishing on 21 March 2024, upon which an aggregate principal amount of US\$10,000,000 together with interests of US\$2,916,667 on the Kingwell Notes was deemed to be repaid by the Group to Flourishing; and (ii) the remaining sum of US\$413,333 of the Repayment Amount shall be paid by Atta Asset to the Group on 21 March 2024 (collectively as the “**Repayment Arrangement**”); and
- (3) upon settlement of the Repayment Arrangement, Atta Asset shall be unconditionally released and discharged from any and all claims, demands, actions, obligations, damages relating to the subscription of Atta Notes.

Further details on the above transactions are detailed in the Company’s announcements dated on 21 March 2024 and 22 March 2024.

8. PROFIT/(LOSS) BEFORE INCOME TAX

	Six months ended 30 June	
	2024	2023
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Profit/(Loss) before income tax is arrived at after charging:		
Finance costs		
— Effective interest on liability component of convertible bonds	–	3,612
— Interest on lease liabilities (<i>note 13</i>)	114	108
	<u>114</u>	<u>3,720</u>
Auditor’s remuneration	340	320
Staff costs, including directors’ emoluments		
— Fees, salaries, allowances and bonuses	4,150	5,430
— Retirement benefit scheme contributions	134	187
	<u>4,284</u>	<u>5,617</u>

9. INCOME TAX EXPENSE

For the six months ended 30 June 2024, Hong Kong profits tax is 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 are taxed at 16.5%. The profits of corporation not qualifying for the two-tiered profits tax rates regime are taxed at a flat rate of 16.5%. For the six months ended 30 June 2023, Hong Kong profits tax had not been provided as there was no assessable profits arising in Hong Kong.

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — Hong Kong profits tax		
— Provision for current period	<u>581</u>	<u>—</u>

10. DIVIDENDS

No dividend was proposed or paid during the six months ended 30 June 2024 and 2023, nor has any dividend been proposed since the end of the six months ended 30 June 2024 and 2023.

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of approximately HK\$29,803,000 (six months ended 30 June 2023: loss attributable to owners of the Company of approximately HK\$17,688,000) and the weighted average number of 881,970,541 (six months ended 30 June 2023: 503,517,502) ordinary shares in issue during the period.

For the six months ended 30 June 2024, there is no diluted potential ordinary shares and therefore the diluted earnings per share is the same as the basic earnings per share.

For the six months ended 30 June 2024, there was a decrease in loss per share as the computation of diluted loss per share assumed the exercise or conversion of convertible bonds.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024 and 30 June 2023, the Group did not acquire or dispose of any property, plant and equipment.

13. LEASE

Right-of-use assets

As at 30 June 2024, the carrying amounts of right-of-use assets was approximately HK\$3,213,000 (As at 31 December 2023: approximately HK\$3,954,000) in respect of a number of leased office properties which it operates.

During the six months ended 30 June 2024, 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 2024, the carrying amount of lease liabilities was approximately HK\$3,412,000 (As at 31 December 2023: approximately HK\$4,171,000).

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

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Depreciation expense of right-of-use assets	741	1,152
Interest on lease liabilities (<i>Note 8</i>)	114	108
Expense relating to short-term leases	71	135
	<u><u>741</u></u>	<u><u>1,152</u></u>

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 2024 was approximately HK\$944,000 (six months ended 30 June 2023: approximately HK\$1,576,000).

14. ACCOUNTS AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June	31 December
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Accounts receivables	16,585	41,208
Less: Loss allowances	(5,089)	(15,958)
	<u>11,496</u>	<u>25,250</u>
Prepayments	270	270
Other receivables and deposits*	1,528	4,519
Rental deposit	916	1,316
Less: Loss allowances	–	(2,578)
	<u>2,714</u>	<u>3,527</u>
	<u><u>14,210</u></u>	<u><u>28,777</u></u>

* Comprised mainly receivables arising from dividend receivables from trading investments and a debt instrument arrangement which was settled during the six months period ended 30 June 2024 and the related ECL loss allowance of HK\$2,578,000 made in prior years had been reversed in profit or loss.

	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Analysis for reporting purposes:		
Current	13,700	28,267
Non-current	510	510
	<u>14,210</u>	<u>28,777</u>

The analysis of accounts receivables is as follows:

	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Arising from the business of dealing in securities and futures contracts		
— Hong Kong Securities Clearing Company Limited (“HKSCC”) and HKFE Clearing Corporation Limited (“HKCC”) (<i>Note a</i>)	–	1,014
— Securities broker (<i>Note a and b</i>)	–	2
	<u>–</u>	<u>1,016</u>
Arising from asset management services (<i>Note a and b</i>)	6,801	8,373
Arising from underwriting and placing services (<i>Note a and b</i>)	–	8,000
Arising from custodian services (<i>Note a and b</i>)	–	377
Arising from financing services	–	23,162
Arising from corporate advisory services (<i>Note a and b</i>)	3,104	–
Arising from corporate finance services (<i>Note a and b</i>)	6,680	280
	<u>16,585</u>	<u>40,192</u>
Less: Loss allowances	<u>(5,089)</u>	<u>(15,958)</u>
	<u>11,496</u>	<u>25,250</u>

Notes:

- (a) 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% 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, corporate advisory service 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 service are normally due immediately from date of billing with a credit period of 60 days on average to its client.

The credit period for securities brokers with the settlement terms of is usually two days after the trade date. No ageing analysis is disclosed, as in opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of the business of dealing in securities.

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Gross amount		
Not yet past due	4,989	432
0–30 days past due	4,986	636
31–60 days past due	193	20
61–90 days past due	192	20
91–180 days past due	573	62
181–270 days past due	395	65
271–365 days past due	9	172
Over 365 days past due	5,248	15,623
	<u>16,585</u>	<u>17,030</u>

15. HELD FOR TRADING INVESTMENTS

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Listed equity securities	<u>10,762</u>	<u>10,747</u>

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

	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Listed debt securities issued by corporate entities (<i>Note</i>)	—	4,499

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. The Group disposed the debt instruments in April 2024 (*Note* 7). The fair value gain on the debt instruments approximately HK\$14,901,000 has been recognised in “Other gains and losses” during the six months ended 30 June 2024 (six months ended 30 June 2023: fair value loss of approximately HK\$3,306,000).

17. ACCOUNTS AND OTHER PAYABLES AND ACCRUALS

	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Accounts payables arising from the business of dealing in securities and futures contracts		
— Cash clients	699,323	46,346
— Margin clients	2,707	94
	702,030	46,440
Other payables	—	3,355
Accruals	1,169	3,118
Long service payment obligations	645	645
	703,844	53,558

The normal settlement terms of accounts 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 accounts 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 accounts payables is disclosed as, in the opinion of the Directors, the ageing analysis does not give additional value in view of the business nature.

18. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each	Nominal value <i>HK\$'000</i>
<i>Authorised:</i>		
At 1 January 2024 (audited) and 30 June 2024 (unaudited)	<u>6,000,000,000</u>	<u>600,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2024 (audited) and 30 June 2024 (unaudited)	<u>881,970,541</u>	<u>88,197</u>
<i>Authorised:</i>		
At 1 January 2023 (audited) and 30 June 2023 (unaudited)	<u>6,000,000,000</u>	<u>600,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2023 (audited)	381,970,541	38,197
Conversion of convertible bonds	<u>500,000,000</u>	<u>50,000</u>
At 30 June 2023 (unaudited)	<u>881,970,541</u>	<u>88,197</u>

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

19. EVENTS AFTER THE REPORTING DATE

There are no material events in relation to the Group occurred after 30 June 2024 and up to the date of issue of the interim condensed consolidated financial statements.

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 2024 (six months ended 30 June 2023: Nil).

BUSINESS AND FINANCIAL REVIEW

Financial Summary

For the six months ended 30 June 2024, the Group recorded fee and commission income of approximately HK\$14.4 million, representing 289% increase as compared with approximately HK\$3.7 million for the six months ended 30 June 2023, the increase was primarily due to the Group’s increase in provision of financial advisory services and general custodian services.

Profit for the six months ended 30 June 2024 was approximately HK\$29.8 million, as compared with loss of approximately HK\$17.7 million for the same period in 2023. Such increase in profit is primarily attributable to the increase in revenue source. Both basic and diluted earning per share for the first half of 2024 are approximately HK\$3.38 cents, compared with HK\$3.51 cents of both basic and diluted losses per share for the same period in 2023.

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 2024, SYS had a total number of 5 employees. 2 employees are licensed as responsible officers to conduct Type 1, Type 2, and Type 4 regulated activities. 3 employees are licensed as representatives to conduct Type 1, Type 2 and Type 4 regulated activities. As at 30 June 2024, SYS maintained 202 client accounts, a decrease from 215 client accounts as at 30 June 2023 due to attrition. There was approximately HK\$702 million in client trust bank accounts, representing an increase from HK\$45.4 million as at 31 December 2023. Such increase was mainly due to clients deposited large amount of funds into their accounts for investment purpose.

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

As at 30 June 2024, SYC had 4 employees, among which 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 2024, the asset management segment had 6 employees, among which 4 employees are licensed as responsible officers, and 2 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 2024, SYAM acted as the fund manager or investment adviser for 1 fund and 2 discretionary accounts (30 June 2023: 1 fund and 3 discretionary accounts). The total assets under management (the “AUM”) of SYAM was HK\$658.9 million as at 30 June 2024.

Operation of Business Segments — Proprietary Trading

For proprietary trading business, Sheng Yuan Financial Services Group Limited (“SYFS”) and Kingwell Management Limited (“KW”) mainly invest in the listed shares, corporate bonds, and private funds in Hong Kong market. During the six months ended 30 June 2024, the Group reported profit of approximately HK\$19.8 million on proprietary trading (six months ended 30 June 2023: a loss of HK\$2.8 million).

Operation of Business Segments — Trade Financing

The Group continued its trade financing business during the first six months in 2024 to expand and diversify its source of revenue. For the six months ended 30 June 2024, the segment achieved a profit of approximately HK\$0.3 million (for the six months ended 30 June 2023: a loss of approximately HK\$6,000). The Group adopted HKFRS 9 to account for its trade financing business in 2024.

PROSPECTS AND FUTURE PLANS FOR 2024

The first half of 2024 has continued to be characterized by a complex and evolving financial landscape. Geopolitical tensions and economic uncertainties persist, impacting both Mainland China and Hong Kong. The ongoing trade disputes and shifting international relations have maintained an atmosphere of market volatility and investor caution. Adjustments in global monetary policies, particularly by the Federal Reserve of the United States, have influenced borrowing costs and investment decisions globally.

In Hong Kong, the financial market has faced ongoing challenges, with the Hang Seng Index experiencing further declines. The equity markets have shown limited activity, and the investment banking sector has continued to see reduced activity and downsizing. There were 30 new listings in Hong Kong in the first half of 2024, including 29 companies listed on the Main Board and one GEM listing — a decrease of 9% compared to the first half of 2023.

Bond markets in Hong Kong have been similarly impacted, with limited issuance from Chinese real estate developers and local government financing vehicles (LGFVs) due to continued defaults and investor apprehension.

Looking ahead, the Group remains optimistic about navigating the current uncertainties. We will continue to monitor the evolving market conditions and adjust our strategies accordingly. Emphasis will be placed on leveraging Hong Kong's strategic position within the Greater Bay Area (GBA) to seize opportunities for cross-border investment and business expansion. Plans are in place to explore new partnerships and alliances within the GBA, enhancing our financial services offerings and expanding our footprints in both investment banking and asset management.

The Group will also focus on strengthening its funds management and discretionary account services and expanding its financial consultancy and margin financing services. These efforts aim to generate sustainable growth and deliver value to shareholders despite the challenging economic environment.

We remain committed to achieving long-term growth and are confident that strategic initiatives will enable the Group to overcome current challenges and drive future success.

ACQUISITIONS AND DISPOSALS

There was no material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2024.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, cash and bank balances in general accounts maintained by the Group were approximately HK\$88.6 million, representing an increase of approximately HK\$41.4 million from approximately HK\$47.2 million as at 31 December 2023. 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 2024 were approximately HK\$702 million (31 December 2023: HK\$45.4 million).

Trade and other receivables, prepayments, and trust bank balances held on behalf of clients were approximately HK\$715.7 million as at 30 June 2024 (31 December 2023: HK\$73.7 million), such increase was due to increase in client trust account balances. Trade and other payables and accruals were approximately HK\$703.8 million as at 30 June 2024 (31 December 2023: HK\$53.6 million), as a result of the increase in client trust accounts value.

The Group's current assets and current liabilities as at 30 June 2024 were approximately HK\$818.1 million (31 December 2023: HK\$138 million) and approximately HK\$705.9 million (31 December 2023: HK\$55.7 million), respectively. The gearing ratio of the Group, measured as total debts to total assets, was approximately 0% as at 30 June 2024 (31 December 2023: approximately 0%). As at 30 June 2024, the Group recorded net assets of approximately HK\$114.5 million (31 December 2023: net assets of approximately HK\$84.7 million). During the six months ended 30 June 2024, 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 issued share capital and reserves attributable to shareholders of the Company. The Directors review the Group's capital structure regularly. There was no changes in capital structure during the Reporting Period.

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 2024, 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 announcement.

PLEDGE OF ASSETS

As at 30 June 2024, the Group did not have any pledged assets.

HUMAN RESOURCES

As at 30 June 2024, the Group employed 19 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 2023, there have been no material changes to the Company's business.

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 2024, no share option has been granted under 2014 Scheme. At 30 June 2024, 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 ended 31 December 2023.

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

During the six months ended 30 June 2024, 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 2024 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 and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with the code provisions set out in Part 2 of the Corporate Governance 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 six months ended 30 June 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 of the Listing Rules (the “**Model Code**”) 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 2024.

BOARD OF DIRECTORS

As at the date of this announcement, 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, 23 August 2024