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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)**

**(1) CONNECTED TRANSACTION  
PROPOSED CONVERTIBLE BONDS ISSUANCE  
UNDER SPECIFIC MANDATE**

**(2) PROPOSED INCREASE IN AUTHORIZED  
SHARE CAPITAL OF THE COMPANY**

**(3) BUSINESS PLAN OF THE COMPANY**

**AND**

**(4) DELINEATION OF BUSINESSES BETWEEN THE GROUP  
AND THE YUANYIN GROUP**

**A. CONNECTED TRANSACTION — THE CONVERTIBLE BONDS ISSUANCE**

**Subscription Agreement and Proposed Convertible Bonds Issuance**

On 1 April 2021, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Bonds due 2023 in the aggregate principal amount of HK\$150 million at the interest rate of 1% per annum.

Completion is subject to the fulfillment or waiver of the condition precedents set out in the Subscription Agreement. Principal terms of the Subscription Agreement and the Convertible Bonds are set out in the sub-sections headed “1. The Subscription Agreement” and “2. Principal Terms of the Convertible Bonds” under the section headed “A. Connected Transaction — The Convertible Bonds Issuance” in this announcement, respectively. As at the date of this announcement, the Company has 3,819,705,413 Shares in issue. Based on the conversion price of HK\$0.03 per Conversion Share, the Convertible Bonds are convertible into a total of up to 5,000,000,000 Conversion Shares, representing approximately 130.90% of the existing issued share capital of the Company as at the date of this announcement and approximately 56.69% of the issued share capital of the Company as enlarged by the issuance of the Conversion Shares, respectively.

### **Specific Mandate for the Issuance of the Conversion Shares**

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the SGM.

### **Application for Listing**

No application will be made by the Company to the Listing Committee for the listing of the Convertible Bonds. An application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

### **Implications under the Listing Rules**

As at the date of this announcement, the Subscriber is a substantial Shareholder, which, together with its subsidiaries, is interested in 1,030,170,000 Shares, representing approximately 26.97% of the total issued share capital of the Company as at the date of this announcement. Accordingly, Yuanyin Holdings is a connected person of the Company under Chapter 14A of the Listing Rules.

Therefore, the entering into of the Subscription Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The entering into of the Subscription Agreement and the transaction contemplated thereunder are subject to the announcement, reporting and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## **B. PROPOSED INCREASE IN AUTHORIZED SHARE CAPITAL OF THE COMPANY**

Upon completion of the full conversion of the Convertible Bonds, an aggregate of 5,000,000,000 of new Shares will be issued. In order to facilitate the possible conversion of the Convertible Bonds, the Directors propose to increase the Company's authorized share capital to HK\$600,000,000 divided into 12,000,000,000 Shares by the creation of additional 4,000,000,000 Shares.

## **C. BUSINESS PLAN OF THE COMPANY**

The Company and its management team have decided that a team of professionals in the Asset Management Business and the Securities Brokerage and Financial Services Business should be recruited from YSL and YAML to join the Group in order to expand and develop its current businesses. The Company has also decided that it would require a significant amount of immediate funds to finance its expansion activities and to improve its liquid capital, in order to regain the ability to conduct underwriting activities in compliance with the requirements under FRR. With a view to achieving the aforementioned, the Company has formulated the Business Plan to improve both its operational and financial conditions. For details, please refer to the section headed "C. Business Plan of the Company" in the announcement.

## **D. DELINEATION OF BUSINESSES BETWEEN THE GROUP AND THE YUANYIN GROUP**

### **Minimum Business Operations of the Yuanyin Licensed Entities**

To ensure that the businesses of the Group and the Yuanyin Group are clearly delineated, each of YSL and YAML has been reducing the operation of the Regulated Activities since the first quarter of 2020, and has only been carrying out the Regulated Activities at a minimum level as at the date of this announcement.

### **The Proposed Transfer of Businesses**

Subject to the maintaining of the listing status of the Company, it is the commercial intention of both Yuanyin Holdings and the Company to transfer the remaining operations of the Regulated Activities of YSL and YAML to the Group, which primarily involves (i) the recruitment of key management team from the Yuanyin Licensed Entities by the Group; and (ii) the transfer of clients of YSL and YAML to SYS and SYAM, being the licensed subsidiaries of the Company, respectively.

## **Deed of Non-Competition Undertakings**

To further delineate the businesses between the Yuanyin Group and the Group and to ensure that competition does not develop between the Yuanyin Group and the Group, Yuanyin Holdings proposes to enter into the Deed of Non-Competition Undertakings in favor of the Company upon the Completion. For details, please refer to the subsection headed “3. Deed of Non-Competition Undertakings” under the section headed “D. Delineation of Businesses between the Group and the Yuanyin Group” in this announcement.

## **E. OTHER INFORMATION**

### **Possible Mandatory General Offer and Application for Whitewash Waiver**

As at the date of this announcement, the Subscriber, through itself and its wholly-owned subsidiary, is interested in 1,030,170,000 Shares, representing approximately 26.97% of the existing issued share capital of the Company. Upon full conversion of the Convertible Bonds, assuming that there is no other change in the issued share capital of the Company save for the issuance of such Conversion Shares, the shareholding of the Subscriber and parties acting in concert with it in the Company will be increased from approximately 26.97% to approximately 68.37% of the issued share capital of the Company as enlarged by the issuance of the Conversion Shares.

Each of the Company and the Subscriber is fully aware that, in the absence of the Whitewash Waiver, upon conversion of the Convertible Bonds by the Subscriber from time to time, it may trigger Rule 26.1 of the Takeovers Code that requires the Subscriber to make a mandatory general offer to the Shareholders for all issued Shares (not already owned or agreed to be acquired by it or any parties acting in concert with it).

In the event that the Subscriber intends to convert the Convertible Bonds in a principal amount which will render the Subscriber obligated to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by it or parties acting in concert with it, the Subscriber will make an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver will be granted subject to, among other things, the requisite approval of the Independent Shareholders at a general meeting of the Company by way of poll as required under the Takeovers Code. In the event that the Whitewash Waiver is not granted by the Executive, Yuanyin Holdings may elect to waive the condition to such conversion of the Convertible Bonds in respect of granting of the Whitewash Waiver by the Executive and proceed with such conversion of Convertible Bonds (hence the issuance of the Conversion Shares) in the absence of the Whitewash Waiver, and will therefore make a mandatory general offer for the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company pursuant to the relevant requirements under the Takeovers Code.

#### **Independent Board Committee**

The Independent Board Committee, comprising all independent non-executive Directors who have no direct or indirect interest in the Subscription Agreement, the transactions contemplated thereunder and grant of the Specific Mandate, namely Mr. Zhang Jinfan, Ms. Wen Han Qiuzi and Ms. Huang Qin, has been formed to advise the Independent Shareholders with regard to the Subscription Agreement, the transactions contemplated thereunder and grant of the Specific Mandate.

With the approval of the Independent Board Committee, Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Subscription Agreement, the transactions contemplated thereunder and grant of the Specific Mandate.

#### **General**

The SGM will be convened to approve, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder; (ii) the grant of the Specific Mandate; and (iii) the Share Capital Increase.

A circular containing, among other things, (i) details of the Specific Mandate, the Subscription Agreement and the Share Capital Increase; (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders in respect of the Subscription Agreement, the transactions contemplated thereunder and grant of the Specific Mandate; (iii) a letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, the transactions contemplated thereunder and grant of the Specific Mandate; and (iv) the notice of the SGM, is expected to be despatched to the Shareholders as soon as practicable and within 15 Business Days after the date of this announcement in accordance with the requirements under the Listing Rules and the bye-laws of the Company.

**WARNING: Completion of the Subscription Agreement is subject to the satisfaction (or waiver, if applicable) of the conditions precedent to the Subscription Agreement. As the Subscription may or may not be completed, the Convertible Bonds may or may not be issued and/or the Conversion Shares may or may not be issued or listed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.**

## **A. CONNECTED TRANSACTION — THE CONVERTIBLE BONDS ISSUANCE**

On 1 April 2021, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Bonds due 2023 in the aggregate principal amount of HK\$150 million at the interest rate of 1% per annum.

### **1. The Subscription Agreement**

The principal terms of the Subscription Agreement are set out below:

***Date***

1 April 2021

***Parties***

- (a) the Company (as issuer); and
- (b) Yuanyin Holdings (as subscriber).

***Subject matter***

Subject to the fulfilment (or waiver, if applicable) of the conditions under the Subscription Agreement, details of which are set out in the sub-section headed “Conditions Precedents to the Subscription”, the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Bonds due 2023 in the aggregate principal amount of HK\$150 million at the interest rate of 1% per annum.

As at the date of this announcement, the Company has 3,819,705,413 Shares in issue. Based on the initial conversion price of HK\$0.03 per Conversion Share, the Convertible Bonds may be convertible into a total of 5,000,000,000 Conversion Shares, representing approximately 130.90% of the existing issued share capital of the Company as at the date of this announcement and approximately 56.69% of the issued share capital of the Company as enlarged by the issuance of the Conversion Shares, respectively.

***Conditions Precedents to the Subscription***

Completion is conditional upon the fulfilment (or waiver, if applicable) of, among other things, the following conditions:

- (i) the passing of all resolutions at the SGM required under the Listing Rules to approve the Specific Mandate, the entering into of the Subscription Agreement and the transactions contemplated thereunder and the Share Capital Increase by way of poll;
- (ii) all issued Shares remaining listed on, and not having been withdrawn from, the Stock Exchange;
- (iii) the Company having received approval (either unconditionally or subject to conditions) from the Listing Committee for the listing of, and permission to deal in, the Conversion Shares;
- (iv) the representations and warranties under the Subscription Agreement being true, accurate and correct in all material aspects and not misleading in any material aspects as at the date of Completion; and

- (v) all authorizations (if any) which are required from the relevant courts, governmental authorities in Hong Kong, the PRC, the British Virgin Islands and Bermuda for the Subscription Agreement and the transactions contemplated thereunder having been granted, fulfilled or given (as applicable).

The Subscriber may at any time waive all or any of the conditions precedents to the Subscription either in whole or in part and conditionally or unconditionally by giving notice in writing to the Company, other than conditions (i), (ii) and (iii) which cannot be waived.

### ***Completion***

Completion shall take place on 10 Business Day (or such shorter period agreed by the Subscriber) after the fulfillment or waiver by the Subscriber of the conditions precedents to the Subscription as further described above or at such other time as the Company and the Subscriber may mutually agree upon.

Upon Completion, the total subscription price of the Convertible Bonds in the total amount of HK\$150 million will be satisfied (i) as to HK\$99.8 million by setting off against the Company's obligation to repay the outstanding principal amount of the Shareholder's Loan owed by the Group to Yuanyin Finance; and (ii) as to HK\$50.2 million being settled by cash in HK\$.

### ***Settlement of Principal Amount of the Shareholder's Loan***

As at the date of this announcement, Yuanyin Finance (a wholly-owned subsidiary of Yuanyin Holdings) has granted the Shareholder's Loan in the principal amount of HK\$99.8 million at the interest rate of 5% per annum to the Company, which will mature on 22 January 2023. Pursuant to the terms of the Subscription Agreement, Yuanyin Holdings shall settle the subscription price of the Convertible Bonds in the amount of HK\$99.8 million upon Completion by setting off against the principal amount of the Shareholder's Loan. The accrued interest of the Shareholder's Loan will be separately repaid by the Group to Yuanyin Finance pursuant to the terms of the facility agreement(s) in respect of the Shareholder's Loan upon maturity of the Shareholder's Loan on 21 January 2023, which can be extended to a later date as agreed by Yuanyin Finance and the Company pursuant to the terms of the facility agreement(s).

## 2. Principal Terms of the Convertible Bonds

- Issuer** : the Company
- Principal amount** : HK\$150 million
- Status** : The Convertible Bonds constitute direct, unsecured, unconditional and unsubordinated obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves and all its existing and future unsecured and unsubordinated obligations.
- Conversion right** : Subject to the terms of the conditions under the Subscription Agreement, the Bondholder(s) shall have the conversion right, and upon the request by the Company, the Bondholder(s) shall exercise such conversion right, to convert their Convertible Bonds into Shares credited as fully paid at any time during the conversion period of the Convertible Bonds.
- Conversion price** : The initial conversion price will be HK\$0.03 per Conversion Share subject to adjustment in the manner provided in the instrument to be executed by the Company pursuant to the terms of the Subscription Agreement, which represents:
- (i) no premium or discount over the closing price of HK\$0.03 per Share as quoted on the Stock Exchange on 31 March 2021, being the last Trading Day prior to the date of this announcement (the “**Last Trading Day**”);
  - (ii) a premium of approximately 1.33% over the average closing price of approximately HK\$0.0296 per Share as quoted on the Stock Exchange over the five Trading Days of the Shares up to and including the Last Trading Day;
  - (iii) a premium of approximately 2.00% over the average closing price of approximately HK\$0.0294 per Share as quoted on the Stock Exchange over the last ten Trading Days up to and including the Last Trading Day.

The conversion price was determined after arm's length negotiations between the Company and the Subscriber having regard to the prevailing market price of the Shares on the Stock Exchange.

- Conversion Shares** : Based on the initial conversion price of HK\$0.03 per Conversion Share, the Convertible Bonds may be convertible into a total of 5,000,000,000 Shares, representing approximately 130.90% of the issued share capital of the Company as at the date of this announcement or approximately 56.69% of the issued share capital as enlarged by the issuance of the Conversion Shares, respectively.
- Maturity Date** : The second anniversary of the date of the issuance of the Convertible Bonds (i.e. the date of Completion), if that date is not a Business Day, the first Business Day thereafter
- Interest** : 1% per annum payable by the Company annually in arrears
- Conditions precedent to Convertible Bonds Issuance** : The passing by the Shareholders or the Independent Shareholders (where applicable) at the SGM of the requisite resolutions to approve the Convertible Bonds Issuance
- Conversion period** : Subject to the terms and conditions under the Subscription Agreement, the period commencing on or after the next Business Day after the issue date of the Convertible Bonds and ending on the date that falls on the 10th Business Day after the maturity date, both dates inclusive, or a longer period of time as may be agreed otherwise by the Subscriber and the Company

**Conditions to  
conversion**

: Conversion of the Convertible Bonds is subject to the fulfilment of the following conditions precedent, amongst others:

- (i) the Listing Committee having granted (either unconditional or subject only to conditions to which Yuanyin Holdings does not reasonably object) the listing of and permission to deal in, the Conversion Shares;
- (ii) with respect to Yuanyin Holdings' exercise of its conversion right as a Bondholder:
  - (a) the granting of the Whitewash Waiver by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations on Yuanyin Holdings to make a mandatory general offer for all the issued Shares other than those already owned or agreed to be acquired by Yuanyin Holdings and parties acting in concert with it as a result of the Company allotting and issuing the Conversion Shares (if required); and
  - (b) the granting of the approval from the SFC in relation to the change of substantial shareholder(s) (as defined in the SFO) of each of the licensed corporations within the Group upon the issuance the Conversion Shares (if required); and
- (iii) the public float of the Shares having not fallen below the minimum requirement under Rule 8.08(1)(a) of the Listing Rules or as required by the Stock Exchange immediately upon such conversion.

The Subscriber reserves its right as to whether or not to waive condition (ii)(a) above. If condition (ii)(a) is waived, the Subscriber will comply with the provisions of the Takeovers Code including but not limited to the making of a general offer for the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company under Rule 26.1 of the Takeovers Code.

- Redemption at maturity** : Unless previously redeemed, converted or cancelled, the Convertible Bonds shall be redeemed on the maturity date at its then outstanding principal amount.
- Voting rights** : The Bondholder(s) will not have any right to attend or vote at any general meeting of the Company by virtue of being a Bondholder, and until and unless the Convertible Bonds have been converted into Shares.
- Transferability** : The Convertible Bonds may be transferred, subject to prior approval of the Company, by delivery of the bond certificate(s) issued in respect of the Convertible Bonds, with the form(s) of transfer duly completed and signed.

### **3. Specific Mandate for the Issuance of the Conversion Shares**

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the SGM.

#### 4. Effect on the Shareholding Structure of the Company

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

Shareholders	As at the date of this announcement		Immediately after the issue of the Conversion Shares upon full conversion of the Convertible Bonds	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
<b><i>Yuanyin Group</i></b>				
Yuanyin Holdings <sup>(1)(2)</sup>	1,011,000,000	26.47	6,011,000,000	68.15
Yuanyin International Limited <sup>(1)</sup>	19,170,000	0.50	19,170,000	0.22
<b>Subtotal</b>	<b><u>1,030,170,000</u></b>	<b><u>26.97</u></b>	<b><u>6,030,170,000</u></b>	<b><u>68.37</u></b>
<b><i>Public Shareholders</i></b>				
Ms. Zhao Jian Yun	357,142,857	9.35	357,142,857	4.05
Mr. Shao Yong Chao	300,000,000	7.85	300,000,000	3.40
Other public Shareholders	2,132,392,556	55.83	2,132,392,556	24.18
<b>Subtotal</b>	<b><u>2,789,535,413</u></b>	<b><u>73.03</u></b>	<b><u>2,789,535,413</u></b>	<b><u>31.63</u></b>
<b>Total</b>	<b><u><u>3,819,705,413</u></u></b>	<b><u><u>100%</u></u></b>	<b><u><u>8,819,705,413</u></u></b>	<b><u><u>100%</u></u></b>

*Notes:*

- (1) As at the date of this announcement, the 1,030,170,000 Shares which Yuanyin Holdings is interested in under Part XV of the SFO include (i) 1,011,000,000 Shares directly held by Yuanyin Holdings; and (ii) 19,170,000 Shares indirectly held through Yuanyin International Limited (a wholly-owned subsidiary of Yuanyin Holdings).
- (2) As at the date of this announcement, Yuanyin ESOP Limited holds 10.75% of the shares and 37.60% of the voting rights in Yuanyin Holdings. As such, Yuanyin ESOP Limited is deemed to be interested in 1,030,170,000 Shares which Yuanyin Holdings is interested in. Mr. Liu Yang (an executive Director and the chairman of the Board) owns 100% interest in Yuanyin ESOP Limited, and therefore, is deemed to be interested in 1,030,170,000 Shares held by Yuanyin Holdings pursuant to the SFO.

## **5. Use of Proceeds**

Assuming the Convertible Bonds of an aggregate principal amount of HK\$150 million are issued, the aggregate gross proceeds from the Convertible Bonds Issuance are expected to be HK\$150 million. The net proceeds from the Convertible Bonds Issuance, after deducting all related fees and expenses, are estimated to be approximately HK\$50 million. Based on the net proceeds of approximately HK\$50 million, the net price per Conversion Share is approximately HK\$0.03.

As the subscription price of the Convertible Bonds in the amount of HK\$99.8 million will be set off against the principal amount of the Shareholder's Loan of HK\$99.8 million owed by the Group to Yuanyin Finance, the cash proceeds (after deducting such settlement amount and all related fees and expenses) to be received by the Company from the Convertible Bonds Issuance is approximately HK\$50.0 million. The Board intends to use 100% of the cash proceeds of approximately HK\$50.0 million from the Convertible Bonds Issuance for the replenishment of the liquid capital of SYS to facilitate the resumption of its margin financing activities and further expansion of the Group's underwriting and other businesses in the future, as further described in the section headed "8. Reasons for and Benefits of the Convertible Bonds Issuance" in this announcement.

## **6. Fund-Raising Activities by the Company in the Last 12 Months**

The Company has not raised any funds by issuing equity securities during the 12 months immediately before the date of this announcement.

## **7. Application for Listing**

No application will be made by the Company to the Listing Committee for the listing of the Convertible Bonds. An application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

## 8. Reasons for and Benefits of the Convertible Bonds Issuance

### *(i) The Shareholder's Loan*

As at the date of this announcement, Yuanyin Finance (a wholly-owned subsidiary of Yuanyin Holdings) has granted a Shareholder's Loan in the principal amount of HK\$99.8 million at the interest rate of 5% per annum with a maturity date of 22 January 2023 to the Group.

The Board considers that the Shareholder's Loan represents a heavy financial burden to the Group as the Group recorded a net liability of approximately HK\$50.76 million as at 31 December 2020 based on the audited financial statements of the Company for the year ended 31 December 2020. In view of the above, the Board has reviewed and explored different approaches to settle the Shareholder's Loan and considered the Convertible Bonds Issuance to be the most effective and suitable approach, which can help ease the cashflow pressure and reduce the liability of the Group, and thus the net assets of the Group is expected to increase significantly after the full conversion of Convertible Bonds.

### *(ii) Immediate fundraising and improvement of the Company's financial position*

In addition, as at the date of this announcement, the capacity of SYS, an indirect wholly-owned subsidiary of the Company and a corporation licensed to conduct margin financing under the SFO, to conduct margin financing business is restricted by limitation of the low liquid capital. Based on the current cash and bank balances of SYS, SYS only meets the minimum liquid capital for maintaining the securities brokerage services, uncommitted underwriting and placing services, as well as maintaining sufficient cash for its daily operations, but cannot conduct further margin financing effectively. Furthermore, SYS has been heavily restricted from acting as the underwriter for fund-raising exercises that require committed subscription given the liquid capital requirement pursuant to the FRR. As a result of the low level of liquid capital, SYS has been unable to act as underwriter for some fund-raising activities since 2018, as the provision of underwriting activities with no full funding/binding commitment from clients would significantly increase its level of liabilities, and hence significantly decrease its liquid capital, resulting in potential non-compliance with FRR requirements. In addition, the net liability position of the Group as mentioned above has seriously impaired its ability to seek bank financing.

Accordingly, the Group is in urgent need of cash funding in order to ease these restrictions and to allow the licensed corporations of the Group to conduct and expand its businesses (for example, to avoid the circumstances where SYS had to turn down clients in respect of placing orders due to insufficient liquid capital). Due to the lower interest rate, financing through the Convertible Bonds Issuance would substantially lower the finance costs of the Company. Upon conversion of the Convertible Bonds, the liability of the Group would substantially decrease, which could result in the Company achieving a net asset position instead of the current net liability position and allow the Group to regain the ability to obtain debt financing on competitive terms from independent third party investors or financial institutions in the near future.

As at 31 March 2021, SYS has approximately HK\$13.7 million of cash and bank balances on its accounts based on the management accounts of the Company. SYS has recorded profits from its securities brokerage business notwithstanding the restriction of its ability to act as underwriter for fund-raising exercises with no full funding/binding commitment or provision of margin financing to customers due to the FRR requirements. In this regard, the cash proceeds of approximately HK\$50.0 million from the Convertible Bonds Issuance, all of which are intended to be used for the replenishment of the liquid capital of SYS, would enable SYS to advance with business opportunities to act as underwriter for larger scale of fund-raising exercises and/or resumption of margin financing. Furthermore, taking into account the outstanding receivables from the business of SYS conducted in 2020 (which is expected to be received by June 2021) and the revenue to be generated by its business in 2021 in addition to the HK\$50.0 million of cash proceeds from the Convertible Bonds Issuance, it is expected that the financial position of SYS would be significantly improved in the course of 2021, enabling SYS to facilitate its clients to participate in larger scale of fund-raising exercises, expand its sources of income and increase its scale of business as a whole while complying with the FRR requirements.

Therefore, the Company proposes to issue the Convertible Bonds in order to settle the principal amount of the Shareholder's Loan, replenish its liquid capital and facilitate the future expansion of the Group's underwriting and other businesses.

*(iii) the Subscriber's intention to acquire majority stake and the Proposed Conversion*

It is the commercial intention of the Yuanyin Group to acquire the majority stake in the Company. Holding more than 50% of the total issued share capital of the Company will give Yuanyin Holdings a controlling interest in the Group, and shareholders of Yuanyin Holdings will therefore also have more incentive in devoting resources of the Yuanyin Group into the Group after Yuanyin Holdings becomes a majority shareholder of the Company, which will further enhance the continuing implementation of the Business Plan at both operational and financial levels. The aforementioned intention is also in line with the Proposed Transfer of Businesses by the Yuanyin Group and the proposed surrender of Type 1, Type 4 and Type 9 licenses by the Yuanyin Licensed Entities as described in the section headed "D. Delineation of Businesses between the Group and the Yuanyin Group" of this announcement below. The Yuanyin Group believes that it will remain in its best commercial interest to have the Group, the financial statements of which are expected to be consolidated into that of the Yuanyin Group after full conversion of the Convertible Bonds, to carry out all relevant Regulated Activities.

Accordingly, Yuanyin Holdings intends to convert the Convertible Bonds in full to the Shares (the "**Proposed Conversion**") pursuant to the terms and conditions of the Subscription Agreement as soon as practicable after the conditions to the Conversion are satisfied or waived (where applicable). The Company currently expects that the Completion will take place in the second quarter of 2021, and Yuanyin Holdings proposes to initiate the necessary procedures required for the Proposed Conversion within one month after the Completion and, in any event, as soon as practicable thereafter, including but not limited to the application to the Executive for the Whitewash Waiver and the application to the SFC for the change of substantial shareholder(s) (as defined in the SFO) of each of the licensed corporations within the Group upon the issuance of the Conversion Shares (if required).

The view of the Independent Board Committee as to whether the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the Convertible Bonds Issuance) and the proposed grant of the Specific Mandate are determined after arm's length negotiations between the Company and the Subscriber, fair and reasonable and in the interests of the Company and the Shareholders as a whole will be expressed in the circular to be despatched to the Shareholders, after taking into account of the advice of the Gram Capital.

## 9. Information on Parties to the Subscription Agreement

### *The Group Company*

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

### *The Subscriber*

Yuanyin Holdings, a company incorporated in the British Virgin Islands with limited liability which, together with its subsidiaries, is interested in 1,030,170,000 Shares, representing approximately 26.97% of the total issued share capital of the Company as at the date of this announcement.

As at the date of this announcement, Yuanyin Holdings has two classes of shares in issue, being 829,906,182 class A shares (“**Class A Share(s)**”) and 100,000,000 class B shares (“**Class B Share(s)**”). Each Class A Share confers upon its holder the right to one vote, and each Class B Share confers upon its holder the right to five votes (except for certain matters including (i) amendment of the memorandum and articles of association of Yuanyin Holdings, including any amendment of any rights attached to any class of shares; (ii) appointment or removal of the auditors of Yuanyin Holdings; (iii) voluntary liquidation or dissolution of Yuanyin Holdings; and (iv) amendment of the terms of reference of the board of directors of Yuanyin Holdings, in respect of which each Class B Share confers upon its holder the right to one vote), at a meeting of the shareholders of Yuanyin Holdings. All 100,000,000 Class B Shares are held by Yuanyin ESOP Limited as at the date of this announcement.

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

Name of shareholders	Number of shares	% of the shares	Number of votes held	% of the voting rights
Yuanyin ESOP Limited <sup>(1)</sup>	100,000,000	10.75%	500,000,000	37.60%
Yuanyin Finance <sup>(2)</sup>	199,906,182	21.50%	199,906,182	15.03%
Deyou Hong Kong Limited (德祐香港有限公司) <sup>(3)</sup>	20,000,000	2.15%	20,000,000	1.50%
LUXURY TREASURE HOLDINGS LIMITED (逸寶控股有限公司) <sup>(4)</sup>	50,000,000	5.38%	50,000,000	3.76%
Shengzhao Industry Limited (盛兆實業有限公司) <sup>(5)</sup>	100,000,000	10.75%	100,000,000	7.52%
Yunlei Enterprises Limited (雲雷企業有限公司) <sup>(6)</sup>	100,000,000	10.75%	100,000,000	7.52%
COMPETENT GLORY LIMITED <sup>(7)</sup>	50,000,000	5.38%	50,000,000	3.76%
Zhenyu Corporation Limited (振宇企業有限公司) <sup>(8)</sup>	100,000,000	10.75%	100,000,000	7.52%
Hong Kong Xingrui International Investment Co., Limited (香港興 瑞國際投資有限公司) <sup>(9)</sup>	100,000,000	10.75%	100,000,000	7.52%
Pure Benefit Developments Limited <sup>(10)</sup>	100,000,000	10.75%	100,000,000	7.52%
Superb East Investments Limited (卓東投資有限公司) <sup>(11)</sup>	10,000,000	1.08%	10,000,000	0.75%
<b>Total</b>	<b>929,906,182</b>	<b>100%</b>	<b>1,329,906,182</b>	<b>100%</b>

Notes:

As at the date of this announcement,

- (1) Yuanyin ESOP Limited, being the single largest shareholder of Yuanyin Holdings, is wholly-owned by Mr. Liu Yang (an executive Director and the chairman of the Board).
- (2) Yuanyin Finance is a wholly-owned subsidiary of Yuanyin Holdings.
- (3) Deyou Hong Kong Limited is owned by Mr. Ma Baojun (馬寶軍) as to 90%.
- (4) LUXURY TREASURE HOLDINGS LIMITED is owned by Mr. Ma Jie (馬捷) as to 100%.

- (5) Shengzhao Industry Limited is owned by Mr. Huang Shuanggang (a non-executive Director) as to 100%.
- (6) Yunlei Enterprises Limited is owned by Mr. Jiao Yunlei (焦雲雷) as to 100%.
- (7) COMPETENT GLORY LIMITED is owned by Mr. Fu Qinglin (付慶林) as to 100%.
- (8) Zhenyu Corporation Limited is owned by Mr. Liu Zhenjiang (劉鎮江) as to 100%.
- (9) Hong Kong Xingrui International Investment Co., Limited is owned by Chen Xingming (陳星明) as to 97%.
- (10) Pure Benefit Developments Limited is owned by Cong Lin (叢林) as to 100%.
- (11) Superb East Investments Limited is owned by Mr. Zhang Chunmin (張春敏) as to 100%.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, save for Shengzhao Industry Limited, Yuanyin ESOP Limited, Yuanyin Finance, Mr. Huang Shuanggang and Mr. Liu Yang, the remaining shareholders of Yuanyin Holdings and their respective ultimate beneficial owner(s) are independent third parties of the Company.

## **10. Implications under the Listing Rules**

As at the date of this announcement, the Subscriber is a substantial Shareholder which, together with its subsidiaries, is interested in 1,030,170,000 Shares, representing approximately 26.97% of the total issued share capital of the Company. Accordingly, Yuanyin Holdings is a connected person of the Company under Chapter 14A of the Listing Rules.

Therefore, the entering into of the Subscription Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The entering into of the Subscription Agreement and the transaction contemplated thereunder are subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Liu Yang, Mr. Zhou Quan, Mr. Zhao Yun, each being an executive Director and Mr. Huang Shuanggang, a non-executive Director, are considered to have a material interest in the Subscription Agreement, the transactions contemplated thereunder and the proposed grant of the Specific Mandate by reason that (i) Mr. Liu Yang, Mr. Zhao Yun and Mr. Zhou Quan are Directors nominated by Yuanyin Holdings; (ii) Mr. Liu Yang is deemed to be interested in 1,030,170,000 Shares held by Yuanyin Holdings pursuant to Part XV of the SFO; (iii) Mr. Huang Shuanggang (a non-executive Director) indirectly holds approximately 10.75% of the shares and 7.52% of the voting rights in Yuanyin Holdings; and (iv) Mr. Liu

Yang, Mr. Zhao Yun and Mr. Huang Shuanggang are also directors of Yuanyin Holdings. Therefore, each of Mr. Liu Yang, Mr. Zhou Quan, Mr. Zhao Yun and Mr. Huang Shuanggang has abstained from voting at the Board meeting in respect of the relevant resolutions.

Other than the abovementioned Directors, the remaining Directors are the independent non-executive Directors forming the Independent Board Committee who will express their view after receiving advice from Gram Capital in respect of the Subscription Agreement, the transactions contemplated thereunder and the proposed grant of the Specific Mandate.

## **B. PROPOSED INCREASE IN THE AUTHORIZED SHARE CAPITAL OF THE COMPANY**

As at the date of this announcement, the authorized share capital of the Company is HK\$400,000,000 divided into 8,000,000,000 Shares, of which 3,819,705,413 Shares have been issued and fully paid. Upon completion of the full conversion of the Convertible Bonds, an aggregate of 5,000,000,000 of new Shares will be issued. In order to facilitate the possible conversion of the Convertible Bonds, the Directors propose to increase the Company's authorized share capital to HK\$600,000,000 divided into 12,000,000,000 Shares by the creation of additional 4,000,000,000 Shares.

The Share Capital Increase is conditional upon passing of an ordinary resolution by the Shareholders at the SGM, further details of which will be set out in the circular to be despatched to the Shareholders.

## **C. BUSINESS PLAN OF THE COMPANY**

The Company and its management team have decided that a team of professionals in the Asset Management Business and the Securities Brokerage and Financial Services Business should be recruited from YSL and YAML to join the Group in order to expand and develop its current businesses. The Company has also decided that it would require a significant amount of immediate funds to finance its expansion activities and to improve its liquid capital, in order to regain the ability to conduct underwriting activities in compliance with the requirements under the FRR. With a view to achieving the aforementioned, the Company has formulated the Business Plan to improve both its operational and financial conditions.

In addition to the Convertible Bonds Issuance which would enable the Company to raise additional funds, as at the date of this announcement, the Company is also in the course of implementing the remaining part of the Business Plan, which primarily involves (i) recruitment of senior personnel and expansion of the Group's principal businesses; (ii) the seeking of various new business opportunities; and (iii) the taking

of various measures to optimize operating expenses of the Group. As a result of the implementation of the Business Plan, the existing businesses of the Group has been significantly restructured, expanded and developed.

## **1. Recruitment of Senior Personnel and Expansion of Principal Businesses**

### ***(i) Asset Management Business***

Under the Business Plan, the Company has been expanding the scope and size of the Asset Management Business, being one of the core businesses of the Company, through the recruitment of the asset management team by of YAML by SYAM. YAML has a seasoned asset management team with a strong expertise and network to access institutional and high-net-worth individuals and has many years of track record (the “**New Asset Management Team**”). With the New Asset Management Team in place, the Group has been expanding its services in terms of investment product line and increasing its fund-raising capability through the strong connection of the members of the New Asset Management Team. According to the audited financial statements of the Group for the year ended 31 December 2020, the Company recorded a revenue of approximately HK\$12.0 million from the Asset Management Business, representing approximately 27.0% of its total revenue.

As at the date of this announcement, SYAM is expected to be appointed as the investment manager of (i) a fund expected to be launched in around June 2021 which will be engaged in investment in healthcare companies throughout the world, including companies operating in the healthcare sectors on pharmaceuticals, biotechnology, healthcare services and medical technology and supplies; and (ii) a fund expected to be launched in the third quarter of 2021 which will primarily invest in fixed income securities such as government, corporate or convertible bonds, private placement debt, notes lined to fixed income instruments or preferred shares, other bond funds, money market funds or cash.

### ***(ii) Securities Brokerage and Financial Services Business***

Under the Business Plan, to expand the Securities Brokerage and Financial Services Business, being one of the core businesses of the Company, SYS has recruited a senior management team from YSL (the “**New Securities Team**”), which has a strong network to pursue ECM and DCM projects opportunities, to act as its responsible officers for its Securities and Brokerage and Financial Services Business. According to the audited financial statements of the Group

for the year ended 31 December 2020, the Company recorded a revenue of approximately HK\$32.5 million from the Securities Brokerage and Financial Services Business, representing approximately 73.0% of its total revenue.

The Group has been conducting the placing and underwriting services with full commitments from clients ever since the joining of the New Securities Team, and SYS has acquired and completed several DCM and ECM projects. As at the date of this announcement, through the marketing network of the Company's strategic partners as well as the New Securities Team, the Group has preliminary secured 11 new DCM deals and six new ECM deals in 2021.

***(iii) Other Businesses***

As part of its Business Plan, the Company has successfully diversified its revenue stream by providing consultancy services. By assisting borrower to obtain financing from potential lender, the Group will receive a referral fee from the lender. Furthermore, upon approval by SFC of the application of a responsible officer of SYC, SYC has met the requirement of minimum responsible officers and has resumed conducting corporate finance business and has been actively exploring new business opportunities.

For more details of the recruitment of senior personnel, please refer to the section headed "D. Delineation of Businesses between the Group and the Yuanyin Group" of this announcement below.

**2. Measures to Reduce the Operating Expenses of the Group**

As at the date of this announcement, the Group has sought to significantly reduce its operating expenses by (i) moving to smaller office from 26 August 2019 onwards, which resulted in more than 50% drop in monthly rental expenses and management fees; (ii) laying off non-essential staff, which would result in lower staff expenses, as well as corresponding decrease in operating and administrative expenses; and (iii) adopting strict cost control policies from February 2020, under which travel and entertainment expenses have been substantially reduced.

## **D. DELINEATION OF BUSINESSES BETWEEN THE GROUP AND THE YUANYIN GROUP**

### **1. Minimum Business Operations of the Yuanyin Licensed Entities**

As at the date of this announcement, the following Yuanyin Licensed Entities, each being an indirect wholly-owned subsidiary of Yuanyin Holdings, are licensed to carry out the Regulated Activities:

- (i) YSL, a company incorporated in Hong Kong with limited liability, which is licensed to carry out type 1 (dealing in securities) and type 4 (advisory on securities) Regulated Activities; and
- (ii) YAML, a company incorporated in Hong Kong, which is licensed to carry out type 4 (advisory on securities) and type 9 (asset management) Regulated Activities.

To ensure that the businesses of the Group and the Yuanyin Group are clearly delineated, each of YSL and YAML has been reducing the operation of the Regulated Activities since the first quarter of 2020, and has only been carrying out the Regulated Activities at a minimum level as at the date of this announcement. Based on the respective management accounts of each of YSL and YAML for the year ended 31 December 2020, the revenue generated from the Regulated Activities of YSL for the six months ended 30 June 2020 represents approximately 87.7% of its total revenue for the year ended 31 December 2020, and revenue generated from the Regulated Activities of YAML for the six months ended 30 June 2020 represents approximately 89.3% of its total revenue for the year ended 31 December 2020, showing a significant downward trend. Furthermore, each of YSL and YAML intends to continue minimizing the operations of the Regulated Activities, as further described in the sub-section headed “The Proposed Transfer of Businesses” below.

### **2. The Proposed Transfer of Businesses**

Subject to the maintaining of the listing status of the Company, it is the commercial intention of both Yuanyin Holdings and the Company to transfer the remaining operations of the Regulated Activities of YSL and YAML to the Group, which primarily involves (i) the recruitment of key management team from the Yuanyin Licensed Entities by the Group; and (ii) the transfer of clients of YSL and YAML to SYS and SYAM, being the licensed subsidiaries of the Company, respectively.

**(i) *Recruitment of key management team from the Yuanyin Licensed Entities***

To expand and develop the asset management business operated by SYAM, which is one of the core businesses of the Group, SYAM has recruited senior personnel from the asset management team from YAML, who are in possession of strong expertise and network to access institutional and high-net-worth individuals and have many years of track record. As at the date of this announcement, two of the former licensed representatives of YAML have joined SYAM as responsible officers and licensed representative, respectively, and one of the current responsible officers of YAML will also join SYAM as a responsible officer after obtaining approval from the SFC.

Furthermore, to expand the securities brokerage business, SYS has recruited a senior management team who has sound experience with equity capital market and debt capital market deals from YSL to act as its responsible officers for its securities brokerage business. As at the date of this announcement, two senior management members have been recruited to SYS from YSL as responsible officers.

**(ii) *Transfer of Customers by the Yuanyin Licensed Entities***

Along with the recruitment of key management teams of the Yuanyin Licensed Entities by the Group as disclosed above, substantially all the revenue-generating customers of the Yuanyin Licensed Entities have established business relationships with the Group and opened client accounts with the Group. In addition, the Yuanyin Licensed Entities will continue to negotiate with the remaining customers and endeavour to transfer or refer the remaining businesses in relation to the Regulated Activities to SYS and SYAM respectively.

Subject to the maintaining of the listing status of the Company, the Yuanyin Licensed Entities will cease to carry out any Regulated Activities and intend to surrender the Type 1 and Type 4 licenses held by YSL and the Type 4 and Type 9 licenses held by YAML in due course, having assessed the market and operational conditions at the relevant time.

Accordingly, provided that the listing status of the Company is maintained, the Yuanyin Group will cease to conduct any Regulated Activities and will be principally engaged in investment holding and proprietary trading business which do not constitute any Regulated Activities. Meanwhile, the Group will, following completion of the Proposed Transfer of Businesses, be principally engaged in the provision of securities brokerage business, asset management services, proprietary trading (with the Group's own capital and funds) and trading business.

### 3. Deed of Non-Competition Undertakings

Upon full conversion of the Convertible Bonds (assuming that there will be no other change in the issued share capital of the Company), Yuanyin Holdings (together with its subsidiaries) will be interested in approximately 68.37% of the issued share capital of the Company (as enlarged by the issuance of the Conversion Shares) and will become a controlling shareholder of the Company (as defined under the Listing Rules).

To further delineate the businesses between the Yuanyin Group and the Group and to ensure that competition does not develop between the Yuanyin Group and the Group, Yuanyin Holdings proposes to enter into the Deed of Non-Competition Undertakings in favor of the Company upon the Completion to the effect that from the date of the Completion and ending on the earlier of (a) the date on which Yuanyin Holdings, directly or indirectly, ceases to be interested in at least 30% of the issued share capital of the Company on a fully converted basis; and (b) the date on which the Shares cease to be listed on the Stock Exchange, the Yuanyin Group shall not carry on, engage, invest or participate in any business or investment activities which is the same as, similar to or in competition with the Restricted Business from time to time, save that the Yuanyin Group shall be permitted to retain its shareholding interests in YSL and YAML.

Further, Yuanyin Holdings will undertake to the Company that it will refer, or procure the referral of, any investment or commercial opportunities relating to any Restricted Business (collectively, the “**New Business Opportunities**” and each, a “**New Business Opportunity**”) to the Company in the following manner:

- (a) As soon as it becomes aware of any New Business Opportunity, give written notice (the “**Offer Notice**”) to the Company identifying the nature of the New Business Opportunity, detailing all information available to it for the Company to consider whether to pursue, such New Business Opportunity.
- (b) The Company shall, as soon as practicable and in any case within 20 Business Days from the receipt of the Offer Notice (the “**Offer Notice Period**”) notify Yuanyin Holdings in writing of any decision taken to pursue or decline the New Business Opportunity. During the Offer Notice Period, the Company may negotiate with the third party who has offered, proposed or presented the New Business Opportunity and Yuanyin Holdings shall use its best endeavors to assist the Company in obtaining such New Business Opportunity on the same or more favorable terms.

- (c) The Company is required to, among other things, seek approval from its independent non-executive Directors who do not have a material interest in the matter for consideration as to whether to pursue or decline the New Business Opportunity, and that the appointment of an independent financial adviser to advise on the terms of the transaction in the subject matter of the New Business Opportunity may be required.
- (d) If there is a change in the nature or proposal of the New Business Opportunity pursued by Yuanyin Holdings, it shall refer the New Business Opportunity as revised and shall provide to the Company details of all available information for the Company to consider whether to pursue such New Business Opportunity as revised.

#### **4. Corporate Governance Measures**

In addition to the above, the Company also undertakes to put in place adequate corporate governance measures to manage the potential conflict of interests between the Yuanyin Group and the Group and to safeguard the interests of the Shareholders taken as a whole as follows:

- (a) the independent non-executive Directors will review, on an annual basis, the compliance with non-competition undertakings by Yuanyin Holdings under the Deed of Non-Competition Undertakings;
- (b) Yuanyin Holdings shall provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-Competition Undertakings;
- (c) the Company will disclose decisions and basis thereof on matters reviewed by the independent non-executive Directors (including all rejections by the Company of New Business Opportunities referred from Yuanyin Holdings) relating to compliance and enforcement of the non-competition undertakings by Yuanyin Holdings under the Deeds of Non-Competition Undertakings in the annual reports of the Company or by way of public announcement(s); and
- (d) Yuanyin Holdings will make annual statements on compliance with the Deeds of Non-Competition Undertakings in the annual reports of the Company, which is consistent with the principle of making disclosure in the corporate governance report of the annual report.

As such, the Company is of the view that after taking the aforementioned action steps, including but not limited to the Proposed Transfer of Businesses, the businesses of the Group and the Yuanyin Group will be clearly delineated.

## **E. OTHER INFORMATION**

### **1. Possible Mandatory General Offer and Application for Whitewash Waiver**

As at the date of this announcement, the Subscriber, through itself and its wholly-owned subsidiary, is interested in 1,030,170,000 Shares, representing approximately 26.97% of the existing issued share capital of the Company. Upon full conversion of the Convertible Bonds, assuming that there is no other change in the issued share capital of the Company save for the issuance of such Conversion Shares, the shareholding of the Subscriber and parties acting in concert with it in the Company will be increased from approximately 26.97% to approximately 68.37% of the issued share capital of the Company as enlarged by the issuance of the Conversion Shares.

Each of the Company and the Subscriber is fully aware that, in the absence of the Whitewash Waiver, upon conversion of the Convertible Bonds by the Subscriber from time to time, it may trigger Rule 26.1 of the Takeovers Code that requires the Subscriber to make a mandatory general offer to the Shareholders for all issued Shares (not already owned or agreed to be acquired by it or any parties acting in concert with it).

In the event that the Subscriber intends to convert the Convertible Bonds in a principal amount which will render the Subscriber obligated to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by it or parties acting in concert with it, the Subscriber will make an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver will be granted subject to, among other things, the requisite approval of the Independent Shareholders at a general meeting of the Company by way of poll as required under the Takeovers Code. In the event that the Whitewash Waiver is not granted by the Executive, Yuanyin Holdings may elect to waive the condition to such conversion of the Convertible Bonds in respect of granting of the Whitewash Waiver by the Executive and proceed with such conversion of Convertible Bonds (hence the issuance of the Conversion Shares) in the absence of the Whitewash Waiver, and will therefore make a mandatory general offer for the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company pursuant to the relevant requirements under the Takeovers Code. The Company will issue further announcement(s) in this regard as and when appropriate.

## **2. Independent Board Committee**

The Independent Board Committee, comprising all independent non-executive Directors who have no direct or indirect interest in the Subscription Agreement, the transactions contemplated thereunder and grant of the Specific Mandate, namely Mr. Zhang Jinfan, Ms. Wen Han Qiuzi and Ms. Huang Qin, has been formed to advise the Independent Shareholders with regard to the Subscription Agreement, the transactions contemplated thereunder and grant of the Specific Mandate.

With the approval of the Independent Board Committee, Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Subscription Agreement, the transactions contemplated thereunder and grant of the Specific Mandate.

## **3. General**

The SGM will be convened to approve, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder; (ii) the grant of the Specific Mandate; and (iii) the Share Capital Increase. The Subscriber, Yuanyin International Limited (a wholly-owned subsidiary of the Subscriber which beneficially owns 19,170,000 Shares as at the date of this announcement), their respective associates and parties acting in concert with any of them who are interested in the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate shall abstain from voting at the SGM in respect of all necessary resolutions approving the Subscription Agreement, the transactions contemplated thereunder and grant of the Specific Mandate to be proposed at the SGM. The voting at the SGM will be conducted by way of a poll.

A circular containing, among other things, (i) details of the Specific Mandate, the Subscription Agreement and the Share Capital Increase; (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders in respect of the Subscription Agreement, the transactions contemplated thereunder and grant of the Specific Mandate; (iii) a letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, the transactions contemplated thereunder and grant of the Specific Mandate; and (iv) the notice of the SGM, is expected to be despatched to the Shareholders as soon as practicable and within 15 Business Days after the date of this announcement in accordance with the requirements under the Listing Rules and the bye-laws of the Company.

**WARNING: Completion of the Subscription Agreement is subject to the satisfaction (or waiver, if applicable) of the conditions precedent to the Subscription Agreement. As the Subscription may or may not be completed, the Convertible Bonds may or may not be issued and/or the Conversion Shares may or may not be issued or listed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.**

## **DEFINITIONS**

Terms used in this announcement shall have the following meanings, unless the context requires otherwise:

“acting in concert”	has the meaning ascribed thereto in the Takeovers Code and “concert party” shall be construed accordingly
“Asset Management Business”	the provision of asset management services by the Group in relation to the provision of discretionary account management and fund management services for individual and corporate clients
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“Company”	Sheng Yuan Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange (Stock Code: 851)
“Completion”	completion of the transactions contemplated under the Subscription Agreement
“Conversion Share(s)”	the Share(s) to be issued upon the conversion of the Convertible Bonds
“Convertible Bonds Issuance”	the proposed issuance of the Convertible Bonds by the Company to Yuanyin Holdings

“Convertible Bonds”	the convertible bonds due 2023 in the aggregate principal amount of HK\$150 million at the interest rate of 1% per annum proposed to be issued by the Company under the Convertible Bond Issuance
“DCM”	debt capital market
“Deed of Non-Competition Undertakings”	the deed of non-competition undertakings proposed to be entered into by Yuanyin Holdings in favor of the Company upon the Completion
“Director(s)”	the director(s) of the Company
“ECM”	equity capital market
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“FRR”	Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board established by the Board, comprising all the independent non-executive Directors, namely Mr. Zhang Jinfan, Ms. Wen Han Qiuzi and Ms. Huang Qin, to advise the Independent Shareholders with regard to the Subscription Agreement, the transactions contemplated thereunder and grant of the Specific Mandate
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders with regard to the Subscription Agreement, the transactions contemplated thereunder and grant of the Specific Mandate

“Independent Shareholder(s)”	Shareholder(s) other than the Subscriber and parties acting in concert with it and their respective associates and those who are interested in the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate and those who are required under the Listing Rules and/or the Takeovers Code (as the case may be) to abstain from voting at the SGM
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Transfer of Businesses”	the proposed transfer of the remaining operations of the Regulated Activities of Yuanyin Licensed Entities, which primarily involves (i) the recruitment of key management team from the Yuanyin Licensed Entities by the Group; and (ii) the transfer of clients of YSL and YAML to SYS and SYAM, the licensed subsidiaries of the Company, respectively
“Regulated Activities”	the regulated activities under the SFO
“Restricted Business”	the core businesses of Group (being the provision of securities brokerage and financial services, asset management services)
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Brokerage and Financial Services Business”	the provision of securities brokerage and financial services by the Group in relation to the provision of (i) underwriting and placing services; (ii) securities and futures brokerage services; (iii) margin financing and money lending business; (iv) financial advisory services; and (v) custodian services
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“SGM”	the special general meeting of the Company to be convened and held for the purposes of approving the Subscription Agreement, and the transactions contemplated thereunder and the Specific Mandate
“Share Capital Increase”	the proposed increase in the authorized share capital of the Company from HK\$400,000,000 divided into 8,000,000,000 Shares to HK\$600,000,000 divided into 12,000,000,000 Shares by the creation of additional 4,000,000,000 Shares
“Share(s)”	the existing share(s) with a par value of HK\$0.05 each share in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	a shareholder’s loan in the principal amount of HK\$99.8 million at the interest rate of 5% per annum with a maturity date of 22 January 2023 owed by the Group to Yuanyin Finance as at the date of this announcement
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the SGM for the allotment and issuance of the Conversion Shares
“Subscriber” or “Yuanyin Holdings”	Yuanyin Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which, together with its subsidiaries, is interested in 1,030,170,000 Shares, representing approximately 26.97% of the total issued share capital of the Company as at the date of this announcement
“Subscription”	the subscription of the Convertible Bonds by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 1 April 2021 in respect of the subscription of the Convertible Bonds entered into between the Company and the Subscriber
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“SYAM”	Sheng Yuan Asset Management Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, which is licensed to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO
“SYC”	Sheng Yuan Capital (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, which is licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
“SYS”	Sheng Yuan Securities Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, which is licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO
“Takeovers Code”	the Code on Takeovers and Mergers
“Trading Day”	a day on which trading of the Shares is conducted on the Stock Exchange in accordance with the rules and regulations of the Stock Exchange promulgated from time to time
“Whitewash Waiver”	a waiver to be applied by the Company pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscriber to make a mandatory general offer for all the Shares not already owned by the Subscriber and parties acting in concert with it under Rule 26.1 of the Takeovers Code, which may otherwise arise as a result of the conversion of the Convertible Bonds by the Subscriber from time to time
“YAML”	Yuanyin Asset Management Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Yuanyin Holdings, which is licensed to carry out type 4 (advisory on securities) and type 9 (asset management) regulated activities under the SFO

“Yuanyin Finance”	Yuanyin Finance Limited, a company with limited liability incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Yuanyin Holdings
“Yuanyin Group”	Yuanyin Holdings and its subsidiaries
“Yuanyin Licensed Entities”	collectively, YSL and YAML, being indirect wholly-owned subsidiaries of Yuanyin Holdings which are licensed to carry out the Regulated Activities
“YSL”	Yuanyin Securities Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Yuanyin Holdings, which is licensed to carry out type 1 (dealing in securities) and type 4 (advisory on securities) regulated activities under the SFO
“%”	per cent.

By order of the Board  
**Sheng Yuan Holdings Limited**  
**Liu Yang**  
*Chairman*

Hong Kong, 1 April 2021

*As at the date of this announcement, the Board consists of Mr. Liu Yang, Mr. Zhou Quan and Mr. Zhao Yun (all being executive Directors), Mr. Huang Shuanggang (being a non-executive Director), Mr. Zhang Jinfan, Ms. Wen Han Qiuzi and Ms. Huang Qin (all being independent non-executive Directors).*