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盛源控股有限公司

SHENG YUAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 851)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

The board of directors (the "Directors", collectively referred to as the "Board") of Sheng Yuan Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014 together with the comparative figures for the corresponding year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014** ***HK$'000***	2013 *HK$'000*
Revenue	*4*	**414,588**	62,136
Other gains or losses	*5*	**(5,449)**	–
Other income	*6*	**35**	4
Purchase of inventories for trading business		**(349,007)**	(48,358)
Staff costs	*8*	**(35,512)**	(36,475)
Depreciation		**(1,072)**	(1,315)
Finance costs	*7*	**(5,080)**	(727)
Other expenses		**(19,997)**	(15,356)
Share of results of associates		**(1,156)**	–
Loss before income tax	*8*	**(2,650)**	(40,091)
Income tax expense	*9*	**(2,379)**	(155)
Loss for the year	*10*	**(5,029)**	(40,246)

	Notes	2014 HK$'000	2013 HK$'000
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
– Exchange differences on translation of financial statements of foreign operations		**(365)**	67
Other comprehensive income for the year		**(365)**	67
Total comprehensive income for the year		**(5,394)**	(40,179)
Loss for the year attributable to:			
– Owners of the Company		**(5,040)**	(40,246)
– Non-controlling interests		**11**	–
		(5,029)	(40,246)
Total comprehensive income for the year attributable to:			
– Owners of the Company		**(5,405)**	(40,179)
– Non-controlling interests		**11**	–
		(5,394)	(40,179)
			(restated)
		HK cent	*HK cents*
Loss per share	*12*		
– Basic		**(0.15)**	(1.25)
– Diluted		**(0.28)**	(1.25)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,961**	2,972
Trading rights		**3,322**	3,322
Available-for-sale investment		**100**	–
Interests in associates		**92,092**	–
Derivative financial instruments		**1,481**	–
Other assets		**1,730**	1,705
		100,686	7,999
Current assets			
Trade and other receivables and prepayments	*13*	**249,952**	45,749
Held for trading investments	*14*	**71,958**	–
Current tax assets		**156**	–
Derivative financial instruments		**640**	–
Trust bank balances held on behalf of clients		**10,542**	7,171
Cash and cash equivalents		**94,467**	58,485
		427,715	111,405
Current liabilities			
Trade and other payables and accruals	*15*	**22,717**	18,550
Borrowings		**154,924**	30,000
Obligations under finance leases		**32**	37
Derivative financial instruments		**203**	–
Current tax liabilities		**2,399**	236
		180,275	48,823
Net current assets		**247,440**	62,582
Total assets less current liabilities		**348,126**	70,581
Non-current liabilities			
Obligations under finance leases		**–**	33
Convertible bonds		**133,900**	–
		133,900	33
Net assets		**214,226**	70,548

	Notes	**2014**	2013
		HK$'000	*HK$'000*
EQUITY			
Share capital		**173,588**	161,201
Reserves		**22,823**	(90,653)
Equity attributable to owners of the Company		**196,411**	70,548
Non-controlling interests		**17,815**	–
Total equity		**214,226**	70,548

1. GENERAL INFORMATION

Sheng Yuan Holdings Limited 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 Suites 4301-5, 43/F., Tower 1, Times Square, 1 Matheson Street, Causeway Bay, 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 trading business, provision of securities brokerage and financial services and asset management services. The subsidiaries also commence the proprietary trading business during the year.

The consolidated financial statements for the year ended 31 December 2014 were approved for issue by the Board on 31 March 2015.

2. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 New or amended HKFRSs effective for annual period beginning on or after 1 January 2014

In the current year, the Group has applied the new standards, amendments and interpretations (the "new HKFRSs") which are effective for the Group's financial statements for the annual period beginning on 1 January 2014. 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").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment Entities, for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity, the application of the amendments had no impact on the disclosures or the amount recognised in the Group's consolidated financial statements.

Amendments to HKAS 32, Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32, Offsetting Financial Assets and Financial Liabilities, for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 36, Recoverable Amount Disclosure for Non-Financial Assets

The Group has applied the amendments to HKAS 36, Recoverable Amount Disclosure for Non-Financial Assets, for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation technique used which are in line with the disclosure required by HKFRS 13, Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

HKAS 39, Novation of Derivatives and Continuation of Hedge Accounting

The Group had applied the amendments to HKAS 39, Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designed as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC)-Int 21, Levies

The Group has applied HK(IFRIC)-Int 21, Levies for the first time in the current year. HK(IFRIC)-Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the legislation. The interpretation also provides guidance on how different levy arrangements should be accounted for.

HK(IFRIC)-Int 21 has been applied retrospectively. The application of this interpretation has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

2.2 New or amended HKFRSs that have been issued but are not yet effective

At the date of authorisation of these financial statements, certain new or amended HKFRSs have been issued but are not yet effective. The directors of the Company anticipate that these pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

Information on new or amended HKFRSs that have not been adopted early by the Group but expected to have impact on the Group's accounting policies is provided below. Other new or amended HKFRSs have been issued but are not yet effective and not adopted in advance are not expected to have a material impact on the Group's consolidated financial statements.

HKFRS 9, Financial Instruments

HKFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in October 2010 to introduce requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in July 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39, Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of the subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of the subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of financial liability that is attributable to change in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss models, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transaction eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's management activities have also been introduced.

HKFRS 9 will be effective for accounting period beginning on or after 1 January 2018. The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

HKFRS 15, Revenue from Contracts with Customers

HKFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Furthermore, extensive disclosures are required by HKFRS 15.

HKFRS 15 will be effective for accounting period beginning on or after 1 January 2017. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

3. 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) trading business — trading of chemical products and energy and minerals products;

(b) securities brokerage and financial services — provision of discretionary and non-discretionary dealing services for securities and futures, securities placement and underwriting services, margin financing, corporate finance advisory and general advisory services;

(c) asset management services — provision of fund management and discretionary portfolio management services; and

(d) proprietary trading — investment holding and securities trading.

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.

2014	Trading business *HK$'000*	Securities brokerage and financial services *HK$'000*	Asset management services *HK$'000*	Proprietary trading *HK$'000*	Total *HK$'000*
Revenue					
From external customers	**355,032**	**57,311**	**2,245**	**–**	**414,588**
Reportable segment revenue	**355,032**	**57,311**	**2,245**	**–**	**414,588**
Reportable segment result	**9**	**37,986**	**(5,328)**	**(10,990)**	**21,677**
Interest income from margin financing	**–**	**1,125**	**–**	**–**	**1,125**
Depreciation	**109**	**716**	**1**	**4**	**830**
Fair value loss of held for trading investments	**–**	**–**	**–**	**1,803**	**1,803**
Net losses on disposals of property, plant and equipment	**285**	**–**	**–**	**–**	**285**
Reportable segment assets	**156,601**	**84,393**	**1,207**	**93,643**	**335,844**
Additions to non-current segment assets*	**248**	**–**	**–**	**73**	**321**
Reportable segment liabilities	**154,930**	**20,312**	**1,082**	**97**	**176,421**

2013	Trading business *HK$'000*	Securities brokerage and financial services *HK$'000*	Asset management services *HK$'000*	Proprietary trading *HK$'000*	Total *HK$'000*
Revenue					
From external customers	48,539	6,064	7,533	–	62,136
From other segments	–	–	6,135	–	6,135
Reportable segment revenue	48,539	6,064	13,668	–	68,271
Reportable segment result	(1,880)	(7,058)	1,860	–	(7,078)
Interest income from margin financing	–	2,469	–	–	2,469
Depreciation	2	1,124	–	–	1,126
Reportable segment assets	438	51,312	5,794	–	57,544
Additions to non-current segment assets*	349	265	–	–	614
Reportable segment liabilities	40	16,760	193	–	16,993

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that other income, equity-settled share-based payment expense; finance costs; share of results of associates accounted for using the equity method; income tax expense; and corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segments. Inter-segment revenue are charged on the expenses incurred by the relevant subsidiary plus certain percentage.

Segment assets include all assets but available-for-sale investment; interests in associates; current tax assets; derivative financial instruments and bank balances of the Group. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarters. Segment liabilities include all liabilities but loan from a shareholder; derivative financial instruments; current tax liabilities and convertible bonds. In addition, corporate liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

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

	2014 *HK$'000*	2013 *HK$'000*
Reportable segment revenue	**414,588**	68,271
Elimination of inter-segment revenue	**–**	(6,135)
Group's revenue	**414,588**	62,136
Reportable segment result	**21,677**	(7,078)
Other income	**35**	4
Equity-settled share-based payment expense	**(4,218)**	(5,954)
Finance costs	**(5,080)**	(727)
Share of results of associates	**(1,156)**	–
Corporate expenses	**(13,908)**	(26,336)
Loss before income tax	**(2,650)**	(40,091)
Reportable segment assets	**335,844**	57,544
Available-for-sale investment	**100**	–
Interests in associates	**92,092**	–
Current tax assets	**156**	–
Derivative financial instruments	**2,121**	–
Cash and cash equivalents	**94,467**	58,485
Corporate assets	**3,621**	3,375
Group's assets	**528,401**	119,404
Reportable segment liabilities	**176,421**	16,993
Borrowings	**–**	30,000
Derivative financial instruments	**203**	–
Current tax liabilities	**2,399**	236
Convertible bonds	**133,900**	–
Corporate liabilities	**1,252**	1,627
Group's liabilities	**314,175**	48,856

	Reportable segment total		Unallocated		Consolidated	
	2014 ***HK$'000***	2013 *HK$'000*	**2014** ***HK$'000***	2013 *HK$'000*	**2014** ***HK$'000***	2013 *HK$'000*
Other material items						
Depreciation	**830**	1,126	**242**	189	**1,072**	1,315
Additions to non-current assets*	**321**	614	**13**	678	**334**	1,292

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's non-current assets*. The geographical location of customers is based on the location at which the subsidiary operates. The geographical location of non-current assets* is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of trading rights, and the location of the operations, in the case of interests in associates.

	Revenue from external customers		**Non-current assets***	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (domicile)#	**398,954**	62,136	**5,161**	6,294
Mainland China	**15,634**	–	**92,214**	–
	414,588	62,136	**97,375**	6,294

* Non-current assets exclude available-for-sale investment, derivative financial instruments and other assets.

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

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

	2014	2013
	HK$'000	*HK$'000*
Customer A *(notes 1 & 4)*	**336,178**	N/A
Customer B *(notes 2 & 4)*	**52,402**	N/A
Customer C *(notes 1 & 5)*	**N/A**	16,964
Customer D *(notes 1 & 5)*	**N/A**	15,679
Customer E *(notes 1 & 5)*	**N/A**	8,018
Customer F *(notes 1 & 5)*	**N/A**	7,878
Customer G *(notes 3 & 5)*	**N/A**	7,483

Notes:

1. Revenue from these customers is attributable to trading business

2. Revenue from this customer is attributable to securities brokerage and financial services

3. Revenue from this customer is attributable to asset management services

4. Revenue attributable to these customers for the year ended 31 December 2013 is less than 10% of the Group's revenue for that year

5. Revenue attributable to these customers for the year ended 31 December 2014 is less than 10% of the Group's revenue for the year

4. REVENUE

Revenue, which is also the Group's turnover, represents:

	2014	2013
	HK$'000	*HK$'000*
Trading of goods and products	**355,032**	48,539
Underwriting and placing commission income	**52,402**	–
Commission and brokerage income from securities and futures dealing	**2,534**	3,595
Fund and portfolio management fee income	**2,111**	2,101
Advisory fee income	**1,250**	–
Interest income from margin financing	**1,125**	2,469
Fund and portfolio performance fee income	**134**	5,432
	414,588	62,136

5. OTHER GAINS OR LOSSES

	2014	2013
	HK$'000	*HK$'000*
Net foreign exchange losses	**(3,378)**	–
Changes in fair value of:		
– financial assets classified as held for trading	**(1,583)**	–
– financial liabilities classified as held for trading	**(203)**	–
Net losses on disposals of property, plant and equipment	**(285)**	–
	(5,449)	–

6. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Interest income from banks and others	**13**	4
Sundry income	**22**	–
	35	4

7. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Effective interest on liability component of convertible bonds	**4,199**	–
Interest on other borrowings	**567**	25
Interest on loan from a shareholder	**314**	702
	5,080	727

8. LOSS BEFORE INCOME TAX

	2014	2013
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging:		
Auditors' remuneration	**1,230**	1,240
Minimum lease payments under operating leases in respect of land and buildings	**5,786**	3,783
Staff costs, including directors' emoluments		
– Fees, salaries, allowances and bonuses	**30,236**	29,708
– Equity-settled share-based payment expense	**4,218**	5,954
– Retirement benefit scheme contributions	**1,058**	813
	35,512	36,475

9. INCOME TAX EXPENSE

For the years ended 31 December 2014 and 2013, Hong Kong Profits Tax was provided at the rate of 16.5% on the estimated assessable profits for the respective years.

For the years ended 31 December 2014 and 2013, no provision for PRC Corporate Income Tax has been made as the Group did not derive any assessable profits in the PRC for the respective years.

	2014	2013
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax		
– Provision for current year	**2,399**	155
– Over provision in respect of prior years	**(20)**	–
Total income tax expense	**2,379**	155

10. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss attributable to owners of the Company of HK$5,040,000 (2013: consolidated loss of HK$40,246,000), loss of HK$17,598,000 (2013: loss of HK$23,011,000) has been dealt with in the financial statements of the Company.

11. DIVIDENDS

No dividend was proposed or paid during the years ended 31 December 2014 and 2013, nor has any dividend been proposed since the end of the reporting period.

12. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK$5,040,000 (2013: loss of approximately HK$40,246,000) and the weighted average number of 3,275,104,100 (2013: 3,224,025,822, as restated*) ordinary shares in issue during the year.

Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to owners of the Company of approximately HK$9,194,000 (2013: loss of approximately HK$40,246,000) and the weighted average number of 3,275,104,100 (2013: 3,224,025,822, as restated*) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares for the year, calculated as follows:

(a) Loss attributable to owners of the Company

	2014	2013
	HK$'000	*HK$'000*
Loss attributable to owners of the Company	**(5,040)**	(40,246)
After tax effect of effective interest on the liability component of convertible bonds	**2,605**	–
After tax effect of fair value changes on derivative component of convertible bonds	**–**	–
Effect of earnings on conversion of convertible bonds issued by a subsidiary of the Company	**(6,759)**	–
Loss for the purpose of diluted loss per share	**(9,194)**	(40,246)

(b) Weighted average number of ordinary shares

		(restated*)
	2014	2013
	Number of shares	Number of shares
Weighted average number of ordinary shares	**3,275,104,100**	3,224,025,822
Effect of exercise of share options	**–**	–
Effect of conversion of convertible bonds issued by the Company	**–**	–
Effect of issue of contingent consideration shares	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**3,275,104,100**	3,224,025,822

On 16 July 2014, a subsidiary of the Company, Sheng Yuan Financial Services Group Limited, issued convertible bonds of HK$45 million. Subject to attainment of certain performance target, these convertible bonds are convertible into ordinary shares of the subsidiary at a conversion price of HK$10,000, at the option of the holders of the convertible bonds, which created a potential dilutive effect to the basic loss per share. In the calculation of the diluted loss per share, the convertible bonds of HK$29,813,000 are assumed to have been converted into ordinary shares of the subsidiary.

The computation of diluted loss per share does not assume the exercise of the convertible bonds of HK$104,087,000 issued by the Company as its interest (net of tax) and other changes in profit or loss per ordinary share obtainable on conversion exceeds the basic loss per share.

The Company has outstanding share options, which were granted on 25 August 2011, 24 July 2013, 19 June 2014 and 20 June 2014 with exercise price (adjusted after share-subdivision) of HK$0.280, HK$0,183, HK$0.250 and HK$0.245 respectively. The computation of diluted loss per share does not assume an exercise of those share options since it would result in a decrease in loss per share.

The computation also does not assume the issue of the Company's contingent consideration shares of 556,585,714 (after share-subdivision) in aggregate as the relevant profit target has not been satisfied at the end of the reporting period.

Diluted loss per share for the year ended 31 December 2013 is the same as basic loss per share as the computation of diluted loss per share does not assume the exercise of share options since it would result in a decrease in loss per share.

* The weighted average number of ordinary shares of both years for the purposes of basic and diluted loss per share has been adjusted to reflect the effect of share-subdivision, as if the share-subdivision had occurred on 1 January 2013.

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**244,526**	42,880
Other receivables and prepayments	**5,420**	2,869
Amount due from an associate	**6**	–
	249,952	45,749

Other receivables of the Group are neither past due nor impaired. Amount due from an associate is unsecured, interest-free and repayable on demand. There was no provision for impairment of other receivables and amount due from an associate for the years ended 31 December 2014 and 2013. The analysis of trade receivables is as follows:

	2014	2013
	HK$'000	*HK$'000*
Arising from the business of dealing in securities and futures contracts		
– Hong Kong Securities Company Limited ("HKSCC")	**4,302**	7,588
– Cash clients	**27**	–
– Margin clients	**9,573**	29,609
Arising from advisory service	**1,250**	–
Arising from asset management service	**920**	5,683
Arising from underwriting and placing services	**52,402**	–
Arising from proprietary trading	**19,793**	–
Arising from trading business	**156,259**	–
	244,526	42,880

The normal settlement terms of trade receivables arising from the business of dealing in securities and futures contracts are one or two business days after the respective trade dates. The amounts due from cash and margin clients are repayable on demand subsequent to the settlement date and bear interest at Hong Kong Dollar Prime Rate plus a spread of 3% to 8% (2013: 3% to 8%) per annum.

The Group does not provide any credit term to clients for its asset management and advisory services. Settlement of amounts arising from the underwriting and placing services is in accordance with the terms set out in the respective agreements, usually within one year after the service obligation has been fulfilled.

Amount arising from proprietary trading represents margin deposits placed with a broker. The excess of the outstanding amounts over the required margin deposits stipulated are repayable on demand.

Before accepting any orders from new customers of trading business, the Group performs credit check to assess the potential customer's credit quality and defines credit limits. The general credit periods granted to these customers are 180 to 365 days (2013: not applicable). The Group does not hold any collateral as security or other credit enhancements over these trade receivables.

No ageing analysis in respect of amounts due from margin clients is disclosed as in the opinion of the directors, the ageing analysis does not give additional value in view of the business nature. The ageing analysis of trade receivables in respect of other balances, based on due date, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Not yet past due	**156,259**	–
0 – 30 days	**78,433**	13,228
31 – 60 days	**261**	13
61 – 90 days	**–**	30
	234,953	13,271

The amounts due from margin clients are neither past due nor impaired at the reporting date as the amounts are secured by pledged marketable securities with fair value of HK$242,605,000 (2013: HK$201,227,000). The fair value of pledged marketable securities of each individual margin client is higher than the corresponding outstanding balance. The Group is permitted to sell or re-pledge these collaterals if the customers defaults in payments.

The amount arising from trading business represents bills receivables held by and factored to a bank with recourse for cash proceeds. These bills receivables are neither past due nor impaired at the reporting date. In the event of default by the debtors, the Group is obliged to pay the bank the amount in default. As the Group retains substantially all the risks and rewards of ownerships of these receivables, the Group continues to recognise the whole carrying amounts of the receivables and has recognised the cash received on the transfer as collateralised borrowings until the receivables are collected or the Group settles any losses suffered by the bank. At 31 December 2014, the carrying amount of these receivables and the associated borrowings were HK$156,259,000 (2013: Nil) and HK$154,924,000 (2013: Nil) respectively. The difference between the carrying amount of receivables and the associated borrowings was HK$1,335,000 (2013: not applicable). The directors of the Company consider that the fair value of those receivables and the associated borrowings are not materiality differ from their carrying amount.

The amount arising from underwriting and placing services represents the balance due from a broker who retained the service fee payable to the Group on behalf of a client, which will be disbursed to the Group upon client's approval. The amounts due from cash clients, brokers, HKSCC and clients for its advisory and asset management services has not provided for impairment loss as there has not been a significant change in their credit quality.

14. HELD FOR TRADING INVESTMENTS

	2014	2013
	HK$'000	*HK$'000*
Listed investments		
– Equity securities listed in Hong Kong	**49,435**	–
– Equity securities listed in overseas	**2,217**	–
	51,652	–
Unlisted investments		
– Investments funds	**20,306**	–
	71,958	–

The unlisted investments represent the investments in Life & Health Fund SP, a segregated portfolio under Global High Growth Industries Fund Series SPC, a limited liability company incorporated in the Cayman Islands ("L&H Fund"). The investment represents an 80% holding of the ordinary shares under the segregate portfolio but is not regarded as a subsidiary since the Group does not have right to appoint any directors to the L&H Fund. The Group had served as an investment manager of the L&H Fund and generated fees from managing assets on behalf of third party investors and is terminable by the independent board of directors of the L&H Fund without a cause. The Group therefore does not consolidate this segregated portfolio in which it holds an interest. The total net asset value of this segregated portfolio as at 31 December 2014 is HK$1,557,012,000 (2013: not applicable).

15. TRADE AND OTHER PAYABLES AND ACCRUALS

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**18,395**	14,662
Other payables and accruals	**3,976**	3,888
Amount due to an associate	**346**	–
	22,717	18,550

Amount due to an associate is unsecured, interest-free and repayable on demand. The analysis of trade payables is as follows:

	2014	2013
	HK$'000	*HK$'000*
Arising from the business of dealing in securities and futures contracts		
– Cash clients	**18,395**	14,346
– Margin clients	**–**	12
– Futures clients	**–**	304
	18,395	14,662

The normal settlement terms of trade payables arising from the business of dealing in securities are two business days after the respective trade dates. The amounts payable to cash and margin clients are repayable on demand.

The trade payables arising from the business of dealing in futures contracts are margin deposits received from clients for their trading of these contracts. The required margin deposits are repayable upon the closure of the corresponding futures position. The excess of the outstanding amounts over the required margin deposits stipulated are repayable on demand.

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

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2014 (31 December 2013: Nil).

BUSINESS AND FINANCIAL REVIEW

For the year ended 31 December 2014 (the "Year"), revenue of the Group increased to HK$414.6 million, as compared with approximately HK$62.1 million for the year ended 31 December 2013 (the "Comparable Year"), which is largely attributable to the rapid growth in income from trading business and securities brokerage and financial services during the Year. Loss for the Year was approximately HK$5.0 million as compared with loss of approximately HK$40.2 million for the Comparable Year. Such reduction in loss was mainly due to the net profit contributed by securities brokerage; placing and underwriting services and asset management services of approximately HK$19.9 million.

During the Year, the financial services group of the Company has undergone significant changes. On 9 April 2014, Sheng Yuan Financial Services Group Limited ("SYFS"), a direct wholly-owned subsidiary of the Company, entered into a subscription agreement with several subscribers, pursuant to which the subscribers conditionally agreed to subscribe for and SYFS conditionally agreed to issue convertible bonds at an aggregate consideration of HK$45 million (the "SYFS Convertible Bonds"). Upon full conversion of the SYFS Convertible Bonds at the conversion price, a total of 4,500 conversion shares of SYFS (the "SYFS Conversion Shares") will be issued, representing approximately 81.8% of the existing issued share capital of SYFS and 45% of the issued share capital of SYFS as enlarged by the issue of the SYFS Conversion Shares. Upon full conversion of the SYFS Convertible Bonds, the Company's equity interest in SYFS will be reduced to approximately 55% and SYFS will become a non-wholly-owned subsidiary of the Company. The SYFS Convertible Bonds were issued in June 2014. Upon completion, two subscribers, namely WisePublic Holdings Limited and Li Gang (Collectively the "Guarantors") (who hold SYFS Convertible Bonds with an aggregate amount of HK$25 million) executed and delivered to SYFS and the Company the deed of profit guarantee, pursuant to which, the Guarantors guaranteed that the audited consolidated profits, or where applicable, the accumulated audited consolidated profits after taxation of the SYFS group for each of (i) the financial year ended 31 December 2014, (ii) the two financial years ending 31 December 2015 and (iii) the three financial years ending 31 December 2016 shall be not less than zero, HK$20,000,000 and HK$50,000,000, respectively. Furthermore, Ms. Zhang Xiaomei, Mr. Wang Shengkun and Mr. Chen Bai Cao, being the directors of WisePublic Holdings Limited, joined as the management of the SYFS group.

During the Year, the revenue from securities brokerage and financial services increased to HK$57.3 million as compared with approximately HK$6.1 million for the Comparable Year. Such increase in revenue was mainly due to significant growth in income receivable by Sheng Yuan Securities Limited ("SYSL") by acting as one of the bookrunners for the public offering of shares of Shengjing Bank (the "Shengjing Project"). The estimate revenue from the Shengjing Project was approximately HK$52.4 million. The segment profit from securities brokerage and financial services for the Year was approximately HK$38.0 million (Comparable Year: loss of HK$7.1 million).

For asset management, the Group has closed down Sheng Yuan China Growth Fund in July 2014 for cost and efficiency considerations and such fund is currently undergoing liquidation. Therefore, the Group recorded a revenue and segment loss of approximately HK$2.2 million and HK$5.3 million respectively for asset management business (Comparable Year: revenue of HK$13.7 million and profit of HK$1.9 million). During the Year, Sheng Hua Financial Stable Growth Investment Fund SP (the "Sheng Hua Fund") was established with the fund size of approximately US$ 200 million. Since the Sheng Hua Fund was set up near the year end, the Group expected the revenue from the Sheng Hua Fund would be reflected in the next financial year.

In order to provide a new stream of income for financial business, the Group also commenced the proprietary trading business in June 2014 and mainly invested in listed shares in Hong Kong secondary market and private investment fund. The segment loss from proprietary trading business for the Year was approximately HK$11.0 million due to the staff costs and administrative costs incurred, and the change in fair value of held for trading investments in the financial statements.

In order to diversify business development, SYFS has tried to explore more market opportunities in financial business. During the Year, SYFS has set up a wholly owned subsidiary in Shenzhen to capture the business opportunities and build up a stronger customers base for financial business in Mainland China.

For the trading business, the growth was rather steady for the Year. In order to build up a trading platform and improve the operational structure of trading business, the Group was actively seeking the chances in trading new products like crude oil, minerals, food products and etc. Hence, it is believed that the foundation of the trading business was further strengthened during the Year. Revenue for the trading business was substantially increased to approximately HK$355.0 million from approximately of HK$48.5 million for the Comparable Year as the Group has started commodity trading in nonferrous metals and fuel oil during the Year. As the profit margin of such commodity trading was rather slim, the segment profit for trading business for the Year was approximately HK$0.009 million (Comparable Year: loss of HK$1.9 million).

In October 2014, the Group has completed its acquisition of approximately 24.975% equity interest in Xin Hua (Daqing) Merchandise Exchange Company Limited (新華(大慶)商品交易所有限公司, "XHME"), a merchandise exchange company established under the laws of the PRC on 11 November 2011 and approved by the Department of Commerce of Heilongjiang Province, the PRC. XHME is engaged in the operation of an electronic merchandise exchange platform for commodity goods trading, which provides trading, clearing financing and logistics services to suppliers and purchasers on the electronic trading platform. The Group's results include the Group's share of XHME's results for the period from 23 October 2014 to 31 December 2014. During the last quarter of 2014, XHME has experienced a change of its management team which unavoidably affected its operations and results. Nevertheless, its impact to the Group's financial results for the year ended 31 December 2014 was considered less than significant. The Group remains confident to the performance of XHME in the future.

For recruiting experienced talents for our trading business, the Company and Rotaland Limited (the "Consultant") entered into a consultancy agreement (the "Consultancy Agreement") on 19 June 2014, pursuant to which the Company engaged the Consultant to provide marketing and introduction services advice and guidance to support the Group's business expansion and development (the "Consultancy Services") for a fixed term of three years. As the consideration for the Consultancy Services, the Company has conditionally granted to the Consultant an option, at a nominal consideration of HK$1.00, to subscribe for a total of 140,000,000 shares of the Company (the "Shares") at an exercise price of HK$0.25 per option share exercisable from the date of the Consultancy Agreement up to the third anniversary of the date of the Consultancy Agreement upon the achievement of certain performance target by a subsidiary of the Company. Details of the Consultancy Agreement are set out in the announcement of the Company dated 19 June 2014.

PROSPECTS

The economic environment in 2015 will remain challenging. It is expected that the US Federal Reserve will raise interest rates during the year of 2015 with the slow down of Mainland China's economic growth. However, the Group is still able to seek opportunities from the growing of financial market together with the development of new varieties of financial products in Mainland China. The Group will continue to focus on the development of financial services and aim to reach sufficient scale of operations. To achieve this goal, the Group will focus on high net worth clients, continue to strengthen its customer base and develop a wider range of financial products (e.g. establishment of new funds).

In order to grasp the opportunities from economic reforms of Mainland China and meet the needs of domestic enterprises of Mainland China to participate in overseas capital markets, the Group has set up a branch in Shenzhen as well as a professional team to capture such rare business opportunities. The Group will also spend more resources to expand and enhance the operational capacity of our professional team in Hong Kong and China.

For 2015, the commodity market is facing oversupply, demand slowdown and the fluctuation of foreign exchange rate. With developed supply chains to reduce the overall risk, the Group is confident to achieve a viable growth on the trading business in this year. The Group will concentrate on its core trading business and cautiously expand the scale and geographical spread of its business through organic growth and investment in selective acquisitions with great potential. With the advantages in the financial sector, the Group will also communicate well with the banks and consortium on sourcing of fund and expect to provide our customers with greater value-added services.

MATERIAL ACQUISITIONS AND DISPOSALS

For further diversification of the business of the Group, on 11 September 2014, the Company entered into an acquisition agreement with World Tycoon Limited ("World Tycoon"), pursuant to which the Company conditionally agreed to purchase and World Tycoon conditionally agreed to sell the entire issued share capital of Regington International Limited which indirectly owns 24.975% equity interest in XHME at a consideration of up to HK$194,805,000 (the "Acquisition"). The consideration shall be fully satisfied by the issue of up to 397,561,224 Shares (equivalent to 795,122,448 Shares after share-subdivision) by the Company to World Tycoon to settle the consideration of which 119,268,367 Shares (equivalent to 238,536,734 Shares after share-subdivision) was issued after completion of the acquisition on 22 October 2014 and 278,292,857 shares (equivalent to 556,585,714 Shares after share-subdivision) will be issued after profit target of XHME has been fulfilled. The acquisition was completed on 22 October 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, cash and bank balance (excluding trust and segregated accounts) maintained by the Group were approximately HK$94.5 million, representing an increase of 61.5% from approximately HK$58.5 million as at 31 December 2013. Balances in trust and segregated accounts were approximately HK$10.5 million (31 December 2013: HK$7.2 million). Trade and other receivables and prepayments were approximately HK$249.9 million as at the end of the Year (31 December 2013: HK$45.7 million), which mainly represented increased receivables from securities brokerage and financial services and trading business. Held for trading investments was approximately HK$71.9 million (31 December 2013: Nil). Trade and other payables and accruals have increased from approximately HK$18.6 million as at 31 December 2013 to approximately HK$22.7 million as at the end of the Year, which was also attributable to the increased trade volume arising from business of securities brokerage. During the Year, the Group had issued convertible bonds at the total principal amount of HK$180 million.

The Group's current assets and current liabilities as at the end of the Year were approximately HK$427.7 million (31 December 2013: HK$111.4 million) and approximately HK$180.3 million (31 December 2013: HK$48.8 million) respectively. The borrowings as at 31 December 2014 amounted to HK$154.9 million (31 December 2013: HK$30 million) due to increase in collateralised borrowings. The gearing of the Group, measured as total debts to total assets increased to approximately 54.7% as at 31 December 2014 from approximately 25.1% as at 31 December 2013. At the end of the Year, the Group recorded net assets of approximately HK$214.2 million as compared with approximately HK$70.5 million as at 31 December 2013. During the Year, the Group financed its operations with funds from issuance of convertible bonds.

CAPITAL RAISING AND USE OF PROCEEDS

Issue of SYFS Convertible Bonds

The gross proceeds from the issuance of SYFS Convertible Bonds were approximately HK$45 million, and it was intended to apply the gross proceeds from issuance of SYFS Convertible Bonds as the general working capital of the SYFS Group. The gross proceeds were applied in a manner consistent with the circular dated 16 May 2014.

Issue of SYHL Bonds

Pursuant to subscription agreements entered into by the Company on 5 November 2014 and 19 December 2014, the Company issued convertible bonds with aggregate principal amount of HK$135,000,000 ("SYHL Bonds"), to five individual subscribers on 19 November 2014 and 30 December 2014. The SYHL Bonds entitled the holders to convert them into ordinary shares of the Company at an initial conversion price of HK$0.70 per share of the Company (or HK$0.35 per share after share-subdivision) at any time before the third anniversary date of the initial issue date. The SYHL Bonds bear interests at 8% per annum except that during the second and third anniversary period, no interest shall be accrued to the holders when the average closing price in respect of the Company's share for the last 30 consecutive trading days before the second anniversary of the initial issue date and the SYHL Bonds maturity date exceed HK$1.00 and HK$1.10 per share of the Company (or HK$0.50 and HK$0.55 per share after share-subdivision) respectively.

The net proceeds of the issue of the SYHL Bonds, after deduction of expenses, were approximately HK$134.7 million. It was intended that the Company should use at least HK$100,000,000 out of the net proceeds from the issue of the SYHL Bonds as investment capital or general working capital of the Company for business development of the SYFS Group and the remaining net proceeds as general working capital for the Group. Up to the reporting date, the net proceeds were applied in a manner consistent with the announcements dated 6 November 2014 and 19 December 2014.

FOREIGN EXCHANGE EXPOSURE

The Group's transactions are mainly denominated in Hong Kong dollars, United States dollars ("USD"), and Renminbi ("RMB"). During the Year, the Group used foreign exchange forward contracts to manage the Group's currency exposure in relation to foreign currency receivables. As of 31 December 2014, the Group held outstanding commitments to sell RMB for USD under foreign exchange forward contracts of approximately US$15.2 million.

CAPITAL STRUCTURE

During the Year, 4,600,000 Shares were issued by exercise of share options.

In order to facilitate the issue of the consideration shares for the acquisition of XHME and to provide the Company with greater flexibility to raise funds by allotting and issuing Shares in the future, the Directors put forward a proposal to increase the authorised share capital of the Company from HK$200,000,000 to HK$400,000,000 at the special general meeting held on 15 October 2014. The resolutions were duly passed at the special general meeting held 15 October 2014 and the Company issued 119,268,367 Shares (equivalent to 238,536,734 Shares after share-subdivision) after the completion of the acquisition on 22 October 2014.

In order to reduce the trading spread and improve the liquidity in the trading of the Shares, The Board proposed to subdivide each existing issued and unissued Share of HK$0.10 each in the share capital of the Company into two subdivided Shares of HK$0.05 each. The resolution was duly passed in a special general meeting held on 29 December 2014.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2014, the obligations under finance leases of approximately HK$32,000 were pledged by the assets with net carrying amount of HK$74,000.

As at 31 December 2014, the collateralised borrowings at the amount of HK$154.9 million represented the amount of financing obtained from factoring the Group's bills receivables amounting to HK$156.3 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group employed some 50 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.

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

During the year ended 31 December 2014, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The consolidated results of the Group for the year ended 31 December 2014 have been reviewed by the Audit Committee. The Audit Committee comprises three members namely Mr. Lo Ka Wai (Chairman), Mr. Qi Wenju and Mr. Wu Fred Fong. All of them are independent non-executive Directors.

REMUNERATION COMMITTEE

The Remuneration Committee has been set up with written term of reference in accordance with the requirements of the Listing Rules. The Remuneration Committee comprises three independent non-executive Directors namely, Mr. Wu Fred Fong (Chairman), Mr. Lo Ka Wai and Mr. Qi Wenju.

NOMINATION COMMITTEE

The Remuneration Committee has been set up with written term of reference in accordance with the requirements of the Listing Rules. The Nomination Committee comprises three independent non-executive Directors namely, Mr. Qi Wenju (Chaiman), Mr. Lo Ka Wai and Mr. Wu Fred Fong.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standard of corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with the code on corporate governance practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2014 except the following deviations:

The Code provision A.2.1 stipulates that the role of the chairman and the chief executive officer should be separated and should not be performed by the same individual. Although the Company does not have a chairman, all major decisions are made in consultation with the Board members and the senior management of the Company. There are three independent non-executive directors in the Board. The Board considers that there is sufficient balance of power and the current arrangement maintains a strong management position of the Company.

Under the Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Cheung Kwok Keung, a former independent non-executive Director, was unable to attend the annual general meeting of the Company held on 25 April 2014 due to his unavoidable business engagement. Mr. Xu Guocai, a non-executive Director, and Mr. Qi Wenju, an independent non-executive Director, were unable to attend the annual general meeting of the Company held on 25 April 2014 and special general meetings held respectively on 6 June 2014, 15 October 2014 and 29 December 2014 due to their unavoidable business engagement.

Under the Code provision E.1.2, the chairman of the board should attend the annual general meeting. However, in the annual general meeting held on 25 April 2014, Ms. Lin Min, a former chairman, was unable to attend the meeting as she had other business commitments. Ms. Lin appointed Mr. Wu Siu Lam, William, an executive Director and chief executive officer of the Company, to chair the meeting on her behalf.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as a code of conduct of the Company for directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the Year.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

Basis for Qualified Opinion

Included in the consolidated statement of financial position is interest in an associate, Xinhua (Daqing) Merchandise Exchange Company Limited ("XHME") of approximately HK$92,025,000. As stated in note 19 to the consolidated financial statements, XHME was acquired during the year and the Group applies the equity method to account for its interest in XHME. The Group's share of loss of XHME for the year ended 31 December 2014 was approximately HK$1,145,000.

During the course of our audit, we have not been able to obtain the information and explanations from the management of XHME that we considered necessary in order to enable us to satisfy ourselves as to whether the Group's share of XHME's loss and other comprehensive income for the period since it was acquired and thus the carrying amount as included in the Group's consolidated statement of financial position as at 31 December 2014 were fairly stated and whether the summarised financial information of XHME as shown in note 19 to the consolidated financial statements was properly disclosed. There were no other satisfactory audit procedures that we could adopt to obtain sufficient appropriate audit evidence in this regard.

Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.shengyuan.hk) and the Stock Exchange (www.hkexnews.hk). The annual report for the year ended 31 December 2014 of the Company containing all information required by the Listing Rules will be dispatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board
Sheng Yuan Holdings Limited
Wu Siu Lam, William
Executive Director and Chief Executive Officer

Hong Kong, 31 March 2015

As at the date of this announcement, the Board consists of Mr. Wu Siu Lam, William and Ms. Cheng Kit Sum, Clara (all being executive Directors), Mr. Xu Guocai (being non-executive Director), Mr. Lo Ka Wai, Mr. Qi Wenju and Mr. Wu Fred Fong (all being independent non-executive Directors).