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 2012

The board of directors (the "Directors", collectively referred to as the "Board") of Sheng Yuan Holdings Limited (the "Company") is pleased to announce the consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 together with the comparative figures for the corresponding eight months period ended 31 December 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	NOTES	**1.1.2012 to 31.12.2012** ***HK$'000***	1.5.2011 to 31.12.2011 *HK$'000* (restated)
Continuing operations			
Revenue	*3&4*	**7,251**	1,697
Other income	*5*	**4**	4
Salaries, commission and related benefits		**(38,911)**	(25,480)
Depreciation		**(1,441)**	(898)
Finance costs	*6*	**(1,775)**	(3,813)
Other expenses		**(14,779)**	(9,366)
Loss before taxation		**(49,651)**	(37,856)
Taxation	*7*	**(81)**	–
Loss for the year/period from continuing operations		**(49,732)**	(37,856)
Discontinued operations			
Profit (loss) for the year/period from discontinued operations	*8*	**651**	(2,511)
Loss for the year/period	*9*	**(49,081)**	(40,367)
Other comprehensive (expense) income for the year/period			
Exchange difference arising on translation of foreign operations		**401**	859
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of foreign operations		**(1,925)**	–
Total comprehensive (expense) income for the year/period		**(1,524)**	859
Total comprehensive expense for the year/period attributable to owners of the Company		**(50,605)**	(39,508)
Loss per share	*10*		
From continuing and discontinued operations			
Basic and diluted		**HK$(0.03)**	HK$(0.03)
From continuing operations			
Basic and diluted		**HK$(0.03)**	HK$(0.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 December 2012

	NOTES	**2012** **HK$'000**	2011 *HK$'000*
Non-current assets			
Property, plant and equipment		**2,995**	7,439
Investment properties		**–**	11,542
Trading rights		**3,322**	2,822
Statutory deposits		**1,705**	205
		8,022	22,008
Current assets			
Trade and other receivables and prepayments	*11*	**37,193**	33,412
Bank balances (trust and segregated accounts)		**7,964**	1,168
Bank balances (general accounts) and cash		**65,482**	104,019
		110,639	138,599
Current liabilities			
Trade and other payables and accruals	*12*	**13,700**	14,767
Obligations under finance leases – due within one year		**37**	37
Convertible notes		**–**	19,948
Tax liabilities		**81**	–
		13,818	34,752
Net current assets		**96,821**	103,847
Total assets less current liabilities		**104,843**	125,855
Capital and reserves			
Share capital		**161,201**	117,840
Share premium and reserves		**(56,428)**	(27,174)
		104,773	90,666
Non-current liabilities			
Obligations under finance leases – due after one year		**70**	107
Convertible notes		**–**	35,082
		70	35,189
		104,843	125,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Front Riches Investments Limited ("Front Riches"), a company incorporated in the British Virgin Islands. The addresses of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The addresses of the principal place of business of the Group is located in Suites 4301-5, 43/F, Tower 1, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in securities brokerage and financial services and asset management services. The Group disposed of subsidiaries engaged in trading of telecommunication equipment for the year ended 31 December 2012 as disclosed in note 13. The trading of telecommunication equipment segment was discontinued during the year.

During the eight months period ended 31 December 2011, the reporting period end date of the Group was changed from 30 April to 31 December because the directors of the Company determined to bring the annual reporting period end date of the Group in line with the financial year end of the subsidiaries that generated revenue from securities brokerage and financial services and asset management services businesses. Accordingly, the consolidated financial statements for the prior period cover only eight months ended 31 December 2011. The corresponding comparative amounts shown for the consolidated statement of comprehensive income and related notes cover a eight month period from 1 May 2011 to 31 December 2011 and therefore may not be comparable with amounts shown for the current year.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 12	Deferred tax: Recovery of underlying assets; and
Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior period/years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

Amendments to HKAS 32 Offsetting financial assets and financial liabilities and amendments to HKFRS 7 Disclosures – Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for the Group for annual period beginning on 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective for the Group until annual period beginning on 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Other than as disclosed above, the directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. REVENUE

	1.1.2012 to 31.12.2012 *HK$'000*	1.5.2011 to 31.12.2011 *HK$'000* (restated)
Continuing operations		
Commission and brokerage income and interest income from securities brokerage and financial services	**4,691**	1,210
Asset management services	**2,560**	487
	7,251	1,697

4. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided.

During the year, the Group discontinued to operate the trading of telecommunication equipment as disclosed in note 8. The Group is therefore organised into two operating segments for the current year – (a) securities brokerage and financial services and (b) asset management services.

The segment information reported below does not include any amounts for the discontinued operations of trading of telecommunication equipment, which are described in more detail in note 8. Segment information for the prior period is restated.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

Continuing operations

	Securities brokerage and financial services		**Asset management services**		**Consolidated**	
	1.1.2012 to 31.12.2012	1.5.2011 to 31.12.2011	**1.1.2012 to 31.12.2012**	1.5.2011 to 31.12.2011	**1.1.2012 to 31.12.2012**	1.5.2011 to 31.12.2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
REVENUE						
External sales	**4,691**	1,210	**2,560**	487	**7,251**	1,697
Inter-segment sales	**–**	–	**5,089**	1,449	**5,089**	1,449
Segment revenue	**4,691**	1,210	**7,649**	1,936	**12,340**	3,146
Elimination					**(5,089)**	(1,449)
					7,251	1,697
RESULTS						
Segment results	**(7,963)**	(5,012)	**(1,927)**	(1,532)	**(9,890)**	(6,544)
Other income					**4**	4
Share options expense					**(8,423)**	(12,948)
Corporate expenses					**(29,567)**	(14,555)
Finance costs					**(1,775)**	(3,813)
Loss before taxation					**(49,651)**	(37,856)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the financial results by segment without allocation of other income, share options expense, corporate expenses and finance costs. This is the measure reported to the Board of Directors for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged on the expenses incurred by the relevant subsidiary plus certain percentage.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

Continuing operations

	Securities brokerage and financial services		Asset management services		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS						
Segment assets	**49,402**	18,459	**1,129**	142	**50,531**	18,601
Investment properties					**–**	11,542
Bank balances (general accounts) and cash					**65,482**	104,019
Other assets					**2,648**	4,414
Total segment assets					**118,661**	138,576
Assets relating to discontinued operations					**–**	22,031
Consolidated total assets					**118,661**	160,607
LIABILITIES						
Segment liabilities	**9,461**	1,145	**–**	–	**9,461**	1,145
Convertible notes					**–**	55,030
Tax liabilities					**81**	–
Other liabilities					**4,346**	5,144
Total segment liabilities					**13,888**	61,319
Liabilities relating to discontinued operations					**–**	8,622
Consolidated total liabilities					**13,888**	69,941

For the purposes of monitoring segment performances and allocating resources between segments:

- All assets are allocated to operating segments other than investment properties, bank balances and cash for group administrative purpose and other assets including other receivables and prepayments and property, plant and equipment of head office.

- All liabilities are allocated to operating segments other than convertible notes, tax liabilities and other liabilities including other payables and accruals in relation to corporate administration costs.

Other segment information

Amount included in the measure of segment results or segment assets:

Continuing operations

	Securities brokerage and financial services	**Asset management services**	**Unallocated**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2012				
Additions to property, plant and equipment *(note)*	200	5	51	256
Depreciation of property, plant and equipment *(note)*	1,304	1	136	1,441
For the period from 1 May 2011 to 31 December 2011				
Additions to property, plant and equipment *(note)*	41	–	441	482
Depreciation of property, plant and equipment *(note)*	843	–	55	898

Note: Additions to property, plant and equipment and depreciation of property, plant and equipment excluded those relating to discontinued operations.

Geographical information

The Group's operations are located in Hong Kong.

Information about the Group's revenue from continuing operations from external customers is presented based on the geographical location of the operations of the subsidiary. Information about its non-current assets is presented based on geographical location of the assets.

	Revenue from external customers		**Non-current assets**	
	1.1.2012 to 31.12.2012	1.5.2011 to 31.12.2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**7,251**	1,697	**6,317**	6,995

Note: Non-current assets excluded those relating to discontinued operations and statutory deposits.

Information about major customers

Revenue from customers of the corresponding year/period contributing over 10% of the total sales of the Group are as follows:

	1.1.2012 to 31.12.2012 *HK$'000*	1.5.2011 to 31.12.2011 *HK$'000*
Customer A[1]	**2,489**	473
Customer B[2]	**920**	N/A[3]
Customer C[2]	**770**	N/A[3]
Customer D[2]	**N/A[3]**	200

[1] Revenue from asset management services.
[2] Revenue from securities brokerage and financial services.
[3] The corresponding revenue did not contribute over 10% of the total sales of the Group.

5. OTHER INCOME

Amounts of other income represent the interest income on bank deposits from continuing operations.

6. FINANCE COSTS

Amounts of finance costs mainly represent the effective interest expense on convertible notes.

7. TAXATION

Amount represents the Hong Kong Profits Tax charge for the year ended 31 December 2012. No provision for Hong Kong Profits Tax had been made for the period from 1 May 2011 to 31 December 2011 as the Group had no assessable profit for the period.

Hong Kong Profits Tax is calculated at 16.5% for the year/period.

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

The taxation for the year/period can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	1.1.2012 to 31.12.2012 *HK$'000*	1.5.2011 to 31.12.2011 *HK$'000* (restated)
Loss before taxation (from continuing operations)	**(49,651)**	(37,856)
Taxation at the Hong Kong Profits Tax rate of 16.5%	**(8,192)**	(6,246)
Tax effect of income not taxable for tax purpose	**(11)**	(10)
Tax effect of expenses not deductible for tax purpose	**5,573**	4,677
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1)**	(31)
Tax effect of tax losses not recognised	**2,712**	1,610
Taxation for the year/period	**81**	–

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$31,087,000 (2011: HK$14,651,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the uncertainty of future profit stream. As at 31 December 2011, the unrecognised tax losses of approximately HK$2,648,000 will expire before 2014. Other losses may be carried forward indefinitely.

8. DISCONTINUED OPERATIONS

On 31 October 2012, the Group entered into a sale agreement to dispose of a subsidiary, Goodness Come Investments Limited and its subsidiaries (the "Disposal Group"), which carried out all of the Group's trading of telecommunication equipment operations. The disposal was completed on 24 December 2012.

During the eight months period ended 31 December 2011, the Group discontinued the trading of electrical products and copper concentrate segment. The profit (loss) for the year/period from the discontinued operations included both the trading of telecommunication equipment and trading of electrical products and copper concentrate segments is analysed as follows. The amounts for the prior period are restated.

	1.1.2012 to 31.12.2012 *HK$'000*	1.5.2011 to 31.12.2011 *HK$'000*
Loss of trading of electrical products and copper concentrate operations for the year/period	**–**	(303)
Loss of trading of telecommunication equipment operations for the year/period	**(1,671)**	(2,208)
Gain on disposal of trading of telecommunication equipment operations *(note 13)*	**2,322**	–
	651	(2,511)

The results of trading of telecommunication equipment operations for the year/period, which have been included in the consolidated statement of comprehensive income, were as follows:

	1.1.2012 to 24.12.2012 *HK$'000*	1.5.2011 to 31.12.2011 *HK$'000*
Revenue	**76,113**	45,794
Other income	**478**	373
Purchase of inventories for trading businesses	**(71,456)**	(44,515)
Salaries, commission and related benefits	**(719)**	(252)
Depreciation	**(1,363)**	(444)
Other administrative expenses	**(4,724)**	(3,164)
Loss before taxation	**(1,671)**	(2,208)
Taxation	**–**	–
Loss for the period	**(1,671)**	(2,208)

The results of trading of electrical products and copper concentrate operations for the eight months period ended 31 December 2011, which have been included in the consolidated statement of comprehensive income, were as follows:

	1.5.2011 to 31.12.2011 *HK$'000*
Salaries, commission and related benefits	(267)
Other administrative expenses	(36)
Loss before taxation	(303)
Taxation	–
Loss for the period	(303)

During the year/period, the Disposal Group and the discontinued operations for trading of electrical products and copper concentrate segment contributed approximately HK$13,488,000 (1.5.2011 to 31.12.2011: HK$5,969,000) to the Group's net operating cash out flows and paid HK$1,863,000 (1.5.2011 to 31.12.2011: HK$3,699,000) in respect of investing activities. The Disposal Group and the discontinued operations for trading of electrical products and copper concentrate segment had not contributed to the Group's financing activities for the year/period.

The carrying amounts of the assets and liabilities of the Disposal Group at the date of disposal are disclosed in note 13.

9. LOSS FOR THE YEAR/PERIOD

	Continuing operations		**Discontinued operations**		**Consolidated**	
	1.1.2012 to 31.12.2012 ***HK$'000***	1.5.2011 to 31.12.2011 *HK$'000*	**1.1.2012 to 31.12.2012** ***HK$'000***	1.5.2011 to 31.12.2011 *HK$'000*	**1.1.2012 to 31.12.2012** ***HK$'000***	1.5.2011 to 31.12.2011 *HK$'000*
Loss for the year/period has been arrived at after charging (crediting):						
Auditor's remuneration	**1,050**	1,050	**–**	–	**1,050**	1,050
Depreciation of property, plant and equipment	**1,441**	898	**1,363**	444	**2,804**	1,342
Loss on disposal of property, plant and equipment	**–**	75	**–**	–	**–**	75
Operating lease payments in respect of rented properties	**3,457**	1,840	**1,968**	1,191	**5,425**	3,031
Staff costs (including directors' remuneration):						
Salaries and allowances and benefits	**29,532**	12,179	**710**	515	**30,242**	12,694
Retirement benefit scheme contributions	**956**	353	**9**	4	**965**	357
Share options expense	**8,423**	12,948	**–**	–	**8,423**	12,948
	38,911	25,480	**719**	519	**39,630**	25,999
Bank interest income	**(4)**	(4)	**(60)**	(57)	**(64)**	(61)

10. LOSS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	1.1.2012 to 31.12.2012	1.5.2011 to 31.12.2011
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share	**(49,081)**	(40,367)

	Number of shares	
	1.1.2012 to 31.12.2012	1.5.2011 to 31.12.2011
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,478,138,785**	1,178,402,911

The computation of diluted loss per share from continuing and discontinued operations for the year/period does not assume the exercise of share options and the conversion of convertible notes since it would result in a decrease in loss per share from continuing and discontinued operations.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	1.1.2012 to 31.12.2012	1.5.2011 to 31.12.2011
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(49,081)**	(40,367)
Effect of (profit) loss for the year/period from discontinued operations	**(651)**	2,511
Loss for the purposes of basic and diluted loss per share from continuing operations	**(49,732)**	(37,856)

The denominators used are the same as those detailed above for basic and diluted loss per share from continuing and discontinued operations.

From discontinued operations

The calculation of the basic and diluted profit (loss) per share from discontinued operations attributable to the owners of the Company is based on the following data:

	1.1.2012 to 31.12.2012 *HK$'000*	1.5.2011 to 31.12.2011 *HK$'000*
Profit (loss) for the year/period from discontinued operations	**651**	(2,511)
Profit (loss) per share from discontinued operations attributable to owners of the Company		
Basic	**HK$0.0004**	HK$(0.0021)
Diluted	**HK$0.0004**	HK$(0.0021)

The denominators used are the same as those detailed above for basic and diluted loss per share from continuing and discontinued operations.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2012 *HK$'000*	2011 *HK$'000*
Trade receivables from trading business	**–**	18,765
Trade receivables arising from the business of securities brokerage		
– Cash clients	**15**	1
– Hong Kong Securities Clearing Company Limited	**1,600**	–
	1,615	1
Loans to securities margin clients	**32,049**	10,567
Trade receivables from asset management services	**1,083**	–
Other receivables and prepayments	**2,446**	4,079
	37,193	33,412

The following is an aged analysis of trade receivables base on invoice date at the end of the reporting period:

	2012 *HK$'000*	2011 *HK$'000*
0 to 30 days	**1,615**	11,697
31 to 60 days	**–**	6,152
61 to 90 days	**–**	917
	1,615	18,766

As at 31 December 2011, the Group allowed a credit period of 60 days to its trading customers from trading businesses. Included in the Group's trade receivables balance were debtors with aggregate carrying amount of approximately HK$917,000 as at 31 December 2011, which were past due at the end of the reporting period for which the Group had not provided for impairment loss as there had not been a significant change on credit quality and the amounts are still considered recoverable. The Group did not hold any collateral over these balances. The age of these trade receivables was ranged from 61 to 90 days as at 31 December 2011.

The settlement terms of trade receivables arising from the business of securities brokerage are usually one to two days after the trade date and aged within two days. The amount had not been overdue as at 31 December 2012 and 2011. The directors will follow up the trade receivables that had been over the settlement terms.

The Group offsets certain trade receivables and trade payables when the Group currently has a legally enforceable right to set off the balances and intends either to settle on a net basis, or to realise the balances simultaneously.

Loans to securities margin clients are repayable on demand and bear interest from 8% to 13% (2011: 8% to 13%) per annum. In the opinion of the directors, no aged analysis is disclosed as the aged analysis does not give additional value. The loans are secured by pledged marketable securities at fair value of approximately of HK$107,061,000 (2011: HK$70,602,000). The average percentage of collateral over the outstanding balance as at 31 December 2012 ranged from 157% to 1846% (2011: from 140% to 923%). The fair value of pledged marketable securities of each individual margin client is higher than the corresponding outstanding loan. The Group is permitted to sell or repledge the marketable securities if the customer defaults payments.

The Group does not provide any credit term to its asset management services clients. The aged analysis of trade receivables arising from these clients base on invoice date is as follows:

Trade receivables from asset management services

	2012	2011
	HK$'000	*HK$'000*
0 to 30 days	**1,059**	–
31 to 60 days	**3**	–
61 to 90 days	**21**	–
	1,083	–

The trade receivables from asset management services is overdue as at 31 December 2012. The Group had not provided for impairment loss of trade receivables from asset management services as the trade receivables had subsequently been settled after the end of the reporting period.

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	2012	2011
	HK$'000	*HK$'000*
Trade payables from trading business	**–**	8,622
Trade payables arising from the business of securities brokerage and financial services		
– cash clients	**4,137**	1,104
– future clients	**36**	–
– Hong Kong Securities Clearing Company Limited	**18**	1,258
	4,191	2,362
Amounts due to securities margin clients	**5,287**	42
Other payables and accruals	**4,222**	3,741
	13,700	14,767

As at 31 December 2011, trade payables from trading business were aged within 60 days.

The settlement term of trade payables arising from business of securities brokerage and financial services is two days after the trade date and aged within 30 days, out of the trade payables of cash and futures clients arising from the business of securities brokerage and financial services, an amount of HK$4,059,000 (2011: HK$1,070,000) bears prevailing market deposit rate at 0.001% (2011: 0.001%) per annum.

Amounts due to securities margin clients are repayable on demand and interest free. In the opinion of the directors, no aged analysis is disclosed for amounts due to securities margin clients as the aged analysis does not give additional value.

The trade payables amounting to approximately HK$7,964,000 (2011: HK$1,168,000) were payable to clients or other institutions in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

Other payables and accruals comprise principally the outstanding for ongoing costs and accrued expenses for the operations of the Group.

13. DISPOSAL OF SUBSIDIARIES

As referred to in note 8, the Group discontinued its trading of telecommunication equipment operations at the time of disposal of the Disposal Group. The purchaser paid to the Company for the amount due from the Disposal Group to the Company at the date of disposal in full and the consideration of US$1 (equivalent to approximately HK$8) for the share of Goodness Come Investments Limited. At the date of disposal, the amount due from the Disposal Group to the Company was approximately HK$49,464,000. The direct expenses in relation to the disposal of the Disposal Group was approximately HK$1,886,000. The net assets of the Disposal Group at the date of disposal were as follows:

	HK$'000
Consideration received:	
Cash consideration	49,464
Direct expenses paid in relation to the disposal	(1,886)
Total consideration received, net of transaction costs	47,578

	24.12.2012 *HK$'000*
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	3,712
Investment properties	11,634
Trade and other receivables and prepayments	43,366
Bank balances and cash	5,959
Trade and other payables and accruals	(17,490)
Net assets disposal of	47,181
Gain on disposal of the Disposal Group:	
Consideration received, net of transaction costs	47,578
Net assets disposed of	(47,181)
Cumulative exchange gain in respect of the net assets of the Disposal Group reclassified from equity to profit or loss on loss of control of the Disposal Group	1,925
Gain on disposal	2,322
Net cash inflow arising on disposal	
Cash consideration, net of transaction costs	47,578
Less: Bank balances and cash disposed of	(5,959)
	41,619

The impact of the Disposal Group on the Group's results and cash flows in the current and prior year/period is disclosed in note 8.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2012 (31 December 2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

For the year ended 31 December 2012 (the "Year"), revenue of the Group from continuing operations was approximately HK$7.3 million, which has improved from approximately HK$1.7 million for the eight months ended 31 December 2011 (the "Comparable 8-Month Period") as a result of the continued growth of the Group's operations in financial services. Loss for the Year from continuing operations and loss for the Year attributable to owners of the Company were approximately HK$49.7 million and HK$50.6 million respectively, which, on a pro-rata basis, were largely in line with the results from the Comparable 8-Month Period (Loss of approximately HK$37.9 million and HK$39.5 million respectively). Such loss was mainly due to expenditures incurred to support the Group's development in the financial services field and the operations having yet to reach sufficient economies of scale.

Aiming to better focus its resources on its financial services operations, the Group disposed of its trading of telecommunication equipment business during the Year. The disposal resulted in a gain on disposal of approximately HK$2.3 million, which, after aggregating with its operating loss during the Year, resulted in profit from discontinued operations of approximately HK$0.7 million (Comparable 8-Month Period: Loss of approximately HK$2.5 million).

The Group's financial services platform, mainly comprising its securities brokerage and financial services arm Sheng Yuan Securities Limited ("SYSL") and its asset management service arm Sheng Yuan Asset Management Limited ("SYAML"), continued to grow during the Year. During the Year, the Group's securities and brokerage segment recorded growth in commission income and margin financing income and contributed approximately HK$4.7 million in revenue, as compared with approximately HK$1.2 million for the Comparable 8-Month Period. In August 2012, SYSL was further licensed to engage in type 2 (dealing in futures contracts) regulated activity and its futures contracts trading services was launched in the last quarter of 2012. The margin financing business carried out by SYSL since mid-2011 has been well received and was beneficial for attracting securities trading clients who require the added flexibility and leverage. Accordingly, SYSL has increased its share capital during the Year to cater for the funding demand for this margin financing business. With a full year of contribution, the Group's asset management services segment generated HK$2.6 million in revenue during the Year (Comparable 8-Month Period: approximately HK$0.5 million). The increased revenue was largely attributable to management fee income related to Sheng Yuan China Growth Fund, an open-ended equity fund with focus in the Greater China Region launched in September 2011. As at 31 December 2012, the fund's growth in net asset value since launch had outperformed the Eurekahedge Greater China Long Short Equities Hedge Fund Index, whose constituents adopt long-short strategy and invest in securities in the Greater China Region similar to the fund. As the Group's securities and brokerage segment and asset management services segment have been developing in a generally weak financial market during the Year (with the average daily turnover value of on the Hong Kong securities market being approximately HK$53.9 billion in 2012, 23% lower than that of 2011), the segments have yet to reach sufficient scale and recorded segmental losses of approximately HK$8.0 million and HK$1.9 million respectively (Comparable 8-Month Period: Loss of approximately HK$5.0 million and HK$1.5 million).

Prospects

With the implementation of the third round quantitative easing measures by the United States Federal Reserve announced in September 2012, the overall stock market in Hong Kong had seen signs of recovery which, in turn, would benefit the development of the stock brokerage and margin financing businesses of the Group. In December 2012, the average daily turnover value of the Hong Kong securities market has rebounded significantly to approximately HK$61.3 billion, and for the first two months of 2013, the average figure has grown further to approximately HK$75.4 billion. The improving operating environment shall provide a better foundation for the Group to enhance operations and performance of its financial services platform. In the long run, the Group plans to provide a wide range of financial services with stock brokerage and margin financing as its core so as to capture the business opportunities of the financial market in Hong Kong. With the launch of the futures contracts trading business and further increase in capital subsequent to the refocusing of the Group's resources, trading activities in futures contracts and securities of SYSL are expected to increase, which will lead to increased commission income and financing income. Scale of margin financing shall also be expanded as and when capital permits to increase financing income and to encourage increased clients' trading turnover via providing added flexibility and leverage of margin financing. Also, looking forward, SYSL plans to provide financing for applications of shares in connection with initial public offerings and will develop its capability of participating in or undertaking small to medium scale securities placements. SYAML, the Group's asset management arm, shall seek to achieve growth via the recruitment of further investment into the Sheng Yuan China Growth Fund and enlarging its client base for discretionary portfolio management services in the future should suitable opportunities arise. Beside continuing efforts to improve its current operations, the Group is also exploring new business opportunities, including but not limited to those related to the resources industry, in order to provide healthy returns for stakeholders in the future.

Acquisitions and Disposals

During the Year, the Group disposed of its trading of telecommunication equipment business via the disposal of Goodness Come Investments Limited, a subsidiary of the Company, together with an associated shareholders' loan to Morich International Investments Limited, a company beneficially owned by Mr. Hu Yishi, the ultimate controlling shareholder and the spouse of the chairlady of the Company, for an aggregate consideration of approximately HK$49.5 million. The disposal constituted a very substantial disposal and connected transaction for the Company and was completed after being approved in a special general meeting held on 19 December 2012. Further information on the disposal may be found in the announcement and circular of the Company dated 31 October 2012 and 3 December 2012 respectively.

Liquidity and Financial Resources

As at 31 December 2012, cash and bank balances in general accounts maintained by the Group were approximately HK$65.5 million, representing an decrease of 37.0% from approximately HK$104.0 million as at 31 December 2011, which was largely due to increased margin lending to brokerage clients and working capital needs. As part of the application process for the license in dealings in futures, statutory deposits has increased from HK$0.2 million of 31 December 2011 to HK$1.7 million as at the end of the Year. As the Group's trading of telecommunication equipment business was disposed, property, plant and equipment had decreased to approximately HK$3.0 million from HK$7.4 million during the Year and investment properties are no longer recorded in non-current assets (31 December 2011: HK$11.5 million). Trade and other receivables and prepayments were approximately HK$37.2 million as at the end of the Year (31 December 2011: HK$33.4 million), which mainly represented increased margin loans to clients, and receivables relating to the Group's discontinued operations no longer being recorded. Trade and other payables and accruals have decreased from approximately HK$14.8 million to approximately HK$13.7 million in tandem with the aforementioned disposal. As the Group's outstanding convertible notes were converted in entirety into shares during the Year, they are no longer recorded in the Group's current and non-current liabilities (31 December 2011: approximately HK$19.9 million and approximately HK$35.1 million respectively). As a result of all of the above, the Group's current assets and current liabilities as at the end of the Year were approximately HK$110.6 million (31 December 2011: HK$138.6 million) and approximately HK$13.8 million (31 December 2011: HK$34.8 million) respectively. The Group has no borrowings as at 31 December 2012. The gearing of the Group, measured as total debts to total assets, significantly improved from approximately 34.4% as at 31 December 2011 to 0% as at the end of the Year. At the end of the Year, the Group recorded net assets of approximately HK$104.8 million as compared with approximately HK$90.7 million as at 31 December 2011, with the increase largely due to the aforementioned conversion of convertible notes during the Year. During the Year, the Group financed its operations with internally generated cash flow, funds from the recent disposal of the Group's trading of telecommunication equipment business and funds from the prior rights issue and issuance of convertible notes.

Foreign Exchange Exposure

The Group's transactions are mainly denominated in Hong Kong dollars and Renminbi. Foreign exchange exposure of the Group is considered minimal as the exchange rate of Renminbi against Hong Kong dollars were relatively stable during the Year. Therefore, the Group has not engaged in any hedging contracts during the Year. The Group will from time to time review and monitor exchange risks, and consider employing foreign exchange hedging arrangements when appropriate and necessary.

Capital Structure

During the Year, a total of 433,610,000 ordinary shares at par value of HK$0.1 each were issued as a result of conversion of the convertible notes with aggregate principal amount of HK$60,018,000.

Contingent Liabilities

As at 31 December 2012, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 31 December 2012, the obligations under finance leases of approximately HK$107,000 were pledged by the assets with carrying amount of HK$131,000.

Employees and Remuneration Policies

As at 31 December 2012, the Group employed approximately 38 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 of Directors (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, 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 audited results for the year ended 31 December 2012 have been reviewed by the Audit Committee. The Audit Committee comprises three members namely, Mr. Cheung Kwok Keung (chairman), Mr. Lam Kam Tong and Mr. Qi Wenju. 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. Cheung Kwok Keung (chairman), Mr. Lam Kam Tong and Mr. Qi Wenju.

NOMINATION COMMITTEE

The Nomination Committee has been set up with written term of reference in accordance with the requirements of the Listing Rules in March 2012. The Nomination Committee comprises one executive Director namely Ms. Lin Min (chairman), and two independent non-executive Directors namely, Mr. Cheung Kwok Keung and Mr. Lam Kam Tong.

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 as set out in Appendix 14 of the Listing Rules during the Year except for the following deviations:

Under the revised code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Lam Kam Tong, an independent non-executive Director, was unable to attend the special general meeting of the Company held on 19 December 2012 due to his unavoidable business engagement.

Under the revised code provision E.1.2., the chairman of the Board should attend the annual general meeting. However, in the annual general meeting held on 17 May 2012, our chairman was unable to attend the meeting as she had other commitments. She appointed Mr. Yip Kar Hang, Raymond 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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of the Company (www.shengyuan.hk) and the Stock Exchange (www.hkexnews.hk). The annual report for the Year 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
Yip Kar Hang, Raymond
Executive Director and Chief Executive Officer

Hong Kong, 27 March 2013

As at the date of this announcement, the Board consists of Ms. Lin Min, Mr. Yip Kar Hang, Raymond, Ms. Kwong Wai Man, Karina and Mr. Wu Siu Lam, William (all being executive Directors), Mr. Cheung Kwok Keung, Mr. Lam Kam Tong and Mr. Qi Wenju (all being independent non-executive Directors).