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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 2013

The board of directors (the "Directors", collectively referred to as the "Board") of Sheng Yuan Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 together with the comparative figures for the corresponding year ended 31 December 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	**2013** **HK$'000**	2012 *HK$'000*
Continuing operations			
Revenue	*3*	**62,136**	7,251
Other income	*5*	**4**	4
Purchase of inventories for trading business		**(48,358)**	–
Salaries, commission and related benefits		**(36,475)**	(38,911)
Depreciation		**(1,315)**	(1,441)
Finance costs	*6*	**(727)**	(1,775)
Other expenses		**(15,356)**	(14,779)
Loss before taxation		**(40,091)**	(49,651)
Taxation	*7*	**(155)**	(81)
Loss for the year from continuing operations		**(40,246)**	(49,732)
Discontinued operations			
Profit for the year from discontinued operations	*8*	**–**	651
Loss for the year	*9*	**(40,246)**	(49,081)
Other comprehensive income (expense) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operation that may be subsequently reclassified to profit or loss		**67**	401
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of foreign operations		**–**	(1,925)
Total comprehensive income (expense) for the year		**67**	(1,524)
Total comprehensive expense for the year attributable to owners of the Company		**(40,179)**	(50,605)
Loss per share	*11*		
From continuing and discontinued operations			
Basic and diluted		**HK$(0.02)**	HK$(0.03)
From continuing operations			
Basic and diluted		**HK$(0.02)**	HK$(0.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**2,972**	2,995
Trading rights		**3,322**	3,322
Statutory deposits		**1,705**	1,705
		7,999	8,022
Current assets			
Trade and other receivables and prepayments	*12*	**45,749**	37,193
Bank balances (trust and segregated accounts)		**7,171**	7,964
Bank balances (general accounts) and cash		**58,485**	65,482
		111,405	110,639
Current liabilities			
Trade and other payables and accruals	*13*	**18,550**	13,700
Obligations under finance leases – due within one year		**37**	37
Tax liabilities		**236**	81
Loan from a shareholder		**30,000**	–
		48,823	13,818
Net current assets		**62,582**	96,821
Total assets less current liabilities		**70,581**	104,843
Capital and reserves			
Share capital		**161,201**	161,201
Share premium and reserves		**(90,653)**	(56,428)
		70,548	104,773
Non-current liability			
Obligations under finance leases – due after one year		**33**	70
		70,581	104,843

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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"). The address of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address 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 trading of chemical products, provision of 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 14. The telecommunication equipment segment was discontinued during the year ended 31 December 2012.

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")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year.

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

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 7 Disclosures – Offsetting financial assets and financial liabilities

The Group has applied the amendments to HKFRS 7 "Disclosures – Offsetting financial assets and financial liabilities" for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

(a) recognised financial instruments that are set off in accordance with HKAS 32 "Financial instruments: presentation"; and

(b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported in the Group's consolidated financial statements but has resulted in more disclosures relating to the Group's offsetting arrangements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) INT–12 "Consolidation – Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company reviewed and assessed the Group's investments in accordance with the requirements of HKFRS 10. The directors of the Company concluded that there was no impact to the Group's results for the adoption of HKFRS 10.

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to HKAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. 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. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are 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 have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs in issue but not yet effective

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 2010–2012 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle[2]
HKFRS 9	Financial instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HK(IFRIC) – INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

Amendments to HKAS 32 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 directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements.

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

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Trading of chemical products	**48,539**	–
Commission and brokerage income and interest income from securities brokerage and financial services	**6,064**	4,691
Asset management services	**7,533**	2,560
	62,136	7,251

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.

The Group's operating segments, based on information reported to the Board of Directors of the Company for the purposes of resource allocation and performance assessment are as follows:

1. Trading of chemical products.
2. Securities brokerage and financial services.
3. 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. In prior year, the relevant discontinued operation segment was presented as a separate reportable segment. Information regarding the above reportable and operating segments is reported below.

Segment revenue and results

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

Continuing operations

	Trading of chemical products		Securities brokerage and financial services		Asset management services		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
REVENUE								
External sales	**48,539**	–	**6,064**	4,691	**7,533**	2,560	**62,136**	7,251
Inter-segment sales	**–**	–	**–**	–	**6,135**	5,089	**6,135**	5,089
Segment revenue	**48,539**	–	**6,064**	4,691	**13,668**	7,649	**68,271**	12,340
Elimination							**(6,135)**	(5,089)
							62,136	7,251
RESULTS								
Segment results	**(1,880)**	–	**(7,058)**	(7,963)	**1,860**	(1,927)	**(7,078)**	(9,890)
Other income							**4**	4
Share options expense							**(5,954)**	(8,423)
Corporate expenses							**(26,336)**	(29,567)
Finance costs							**(727)**	(1,775)
Loss before taxation							**(40,091)**	(49,651)

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

	Trading of chemical products		**Securities brokerage and financial services**		**Asset management services**		**Consolidated**	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS								
Segment assets	**438**	–	**51,312**	49,402	**5,794**	1,129	**57,544**	50,531
Bank balances (general accounts) and cash							**58,485**	65,482
Other assets							**3,375**	2,648
Consolidated total assets							**119,404**	118,661
LIABILITIES								
Segment liabilities	**40**	–	**16,760**	9,461	**193**	–	**16,993**	9,461
Tax liabilities							**236**	81
Loan from a shareholder							**30,000**	–
Other liabilities							**1,627**	4,346
Consolidated total liabilities							**48,856**	13,888

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

- All assets are allocated to operating segments other than 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 tax liabilities, loan from a shareholder 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

	Trading of chemical products	Securities brokerage and financial services	Asset management services	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2013					
Additions to property, plant and equipment	**349**	**265**	**–**	**678**	**1,292**
Depreciation of property, plant and equipment	**2**	**1,124**	**–**	**189**	**1,315**
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

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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**62,136**	7,251	**6,294**	6,317

Note: Non-current assets excluded statutory deposits.

Information about major customers

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

	2013	2012
	HK$'000	*HK$'000*
Customer A[1]	**16,964**	–
Customer B[1]	**15,679**	–
Customer C[1]	**8,018**	–
Customer D[1]	**7,878**	–
Customer E[2]	**7,483**	2,489
Customer F[3]	**N/A**[4]	920
Customer G[3]	**N/A**[4]	720

1 Revenue from trading of chemical products.

2 Revenue from asset management services.

3 Revenue from securities brokerage and financial services.

4 The 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

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Interest on other borrowings	**25**	–
Interest on loan from a shareholder	**702**	–
Effective interest expense on convertible notes	**–**	1,775
	727	1,775

7. TAXATION

Amount represents the Hong Kong Profits Tax charge for the years ended 31 December 2013 and 2012.

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

Under the law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiary is 25%. No provision for taxation in PRC has been made as the PRC subsidiary incurred loss for the years ended 31 December 2013 and 2012.

The taxation for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013	2012
	HK$'000	*HK$'000*
Loss before taxation (from continuing operations)	**(40,091)**	(49,651)
Taxation at the Hong Kong Profits Tax rate of 16.5%	**(6,615)**	(8,192)
Tax effect of income not taxable for tax purpose	**(181)**	(11)
Tax effect of expenses not deductible for tax purpose	**4,526**	5,573
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(56)**	(1)
Tax effect of tax losses not recognised	**2,481**	2,712
Taxation for the year	**155**	81

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$46,123,000 (2012: HK$31,087,000) 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. Tax 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 operation. The disposal was completed on 24 December 2012. The profit for the year from the discontinued operations was analysed as follows.

	2013	2012
	HK$'000	*HK$'000*
Loss of trading of telecommunication equipment operation for the year	–	(1,671)
Gain on disposal of trading of telecommunication equipment operation *(note 14)*	–	2,322
	–	651

The results of trading of telecommunication equipment operation for the year, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	2013	2012
	HK$'000	*HK$'000*
Revenue	–	76,113
Other income	–	478
Purchase of inventories for trading business	–	(71,456)
Salaries, commission and related benefits	–	(719)
Depreciation	–	(1,363)
Other administrative expenses	–	(4,724)
Loss before taxation	–	(1,671)
Taxation	–	–
Loss for the period	–	(1,671)

Loss for the period from discontinued operations included the following:

Rental income	–	(418)

For the year ended 31 December 2012, the Disposal Group contributed approximately HK$13,488,000 to the Group's net operating cash out flows and paid HK$1,863,000 in respect of investing activities. The Disposal Group had not contributed to the Group's financing activities for the year.

The carrying amounts of the assets and liabilities of the Disposal Group at the date of disposal are disclosed in note 14.

9. LOSS FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the year has been arrived at after charging (crediting):						
Auditor's remuneration	**1,240**	1,050	**–**	–	**1,240**	1,050
Depreciation of property, plant and equipment	**1,315**	1,441	**–**	1,363	**1,315**	2,804
Operating lease payments in respect of rented properties	**3,783**	3,457	**–**	1,968	**3,783**	5,425
Staff costs (including directors' remuneration):						
Salaries and allowances and benefits	**29,708**	29,532	**–**	710	**29,708**	30,242
Retirement benefit scheme contributions	**813**	956	**–**	9	**813**	965
Share options expense	**5,954**	8,423	**–**	–	**5,954**	8,423
	36,475	38,911	**–**	719	**36,475**	39,630
Bank interest income	**(4)**	(4)	**–**	(60)	**(4)**	(64)

10. DIVIDEND

No dividend was paid or proposed during 2013 and 2012, nor has any dividend been proposed since the end of the reporting period.

11. 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:

	2013	2012
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share	**(40,246)**	(49,081)

	Number of shares	
	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,612,012,911**	1,478,138,785

The computation of diluted loss per share from continuing and discontinued operations for the year does not assume the exercise of share options 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:

	2013	2012
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(40,246)**	(49,081)
Effect of profit for the year from discontinued operations	**–**	(651)
Loss for the purposes of basic and diluted loss per share from continuing operations	**(40,246)**	(49,732)

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 per share from discontinued operation attributable to the owners of the Company is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
Profit for the year from discontinued operations	**–**	651
Profit per share from discontinued operations attributable to owners of the Company		
Basic and diluted	**N/A**	HK$0.0004

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

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2013	2012
	HK$'000	*HK$'000*
Trade receivables arising from the business of securities brokerage		
– Cash clients	–	15
– Hong Kong Securities Clearing Company Limited ("HKSCC")	**7,588**	1,600
	7,588	1,615
Loans to securities margin clients	**29,609**	32,049
Trade receivables from asset management services	**5,683**	1,083
Other receivables and prepayments	**2,869**	2,446
	45,749	37,193

Trade receivables are aged within 30 days based on invoice date at the end of the reporting period.

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 2013 and 2012. The directors will follow up the trade receivables that had been over the settlement terms.

The Group offsets certain trade receivable and trade payable 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% (2012: 8% to 13%) per annum. In the opinion of the directors of the Company, 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$201,227,000 (2012: HK$107,061,000). The average percentage of collateral over the outstanding balance as at 31 December 2013 ranged from 193% to 1778% (2012: from 157% to 1846%). 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 based on invoice date is as follows:

Trade receivables from asset management services

	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**5,640**	1,059
31 to 60 days	**13**	3
61 to 90 days	**30**	21
	5,683	1,083

The trade receivables from asset management services is overdue as at 31 December 2013 and 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.

13. TRADE AND OTHER PAYABLES AND ACCRUALS

	2013	2012
	HK$'000	*HK$'000*
Trade payables arising from the business of securities brokerage and financial services		
– cash clients	**14,346**	4,137
– futures clients	**304**	36
– HKSCC	**–**	18
	14,650	4,191
Amounts due to securities margin clients	**12**	5,287
Other payables and accruals	**3,888**	4,222
	18,550	13,700

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. Included in the trade payables of cash and futures clients arising from the business of securities brokerage and financial services, amount of HK$14,284,000 (2012: HK$4,059,000) bears prevailing market deposit rate at 0.001% (2012: 0.001%) per annum.

Amounts due to securities margin clients are repayable on demand and interest free. In the opinion of the directors of the Company, 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$7,171,000 (2012: HK$7,964,000) 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 operation of the Group.

14. 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

	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 prior year is disclosed in note 8.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2013 (31 December 2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

For the year ended 31 December 2013 (the "Year"), revenue of the Group from continuing operations increased to HK$62.1 million, as compared with approximately HK$7.3 million for the year ended 31 December 2012 (the "Comparable Year"), which is largely attributable to the moderate growth in income from financial services and an additional stream of income from the trial operations in trading of chemical products during the Year. Loss attributable to owners of the Company for the Year was approximately HK$40.2 million, as compared with approximately HK$50.6 million of the Comparable Year. Such loss was mainly reflected the continual expenditures in developing its financial services platform of the Group. In the Comparable Year, the Group has disposed its trading of telecommunication equipment business and no further contribution was recorded during the Year.

During the Year, the Group has continued to focus on the development of its 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 ("SYAM"). Benefited from the recovered market transactions and improving average daily turnover of Hong Kong securities market in 2013, the revenue for SYSL during the Year was recorded as approximately HK$6.1 million (Comparable Year: approximately HK$4.7 million). However, SYSL was still under the development stage and has yet to reach sufficient scale, a segment loss of approximately HK$7.1 million was recorded during the Year (Comparable Year: Loss of approximately HK$8.0 million).

With a better sector allocation and stock selection startegy, Sheng Yuan China Growth Fund (the "Fund") for the Year had outperformed the Eurekahedge Greater China Long Short Equities Hedge Fund Index, whose constituents adopt long-short strategy and invest in securities of the Greater China Region similar to the Fund. The performance of SYAM was improved and recorded a revenue of approximately HK$7.5 million (Comparable Year: approximately HK$2.6 million) and a segment profit of approximately HK$1.9 million (Comparable Year: Loss of approximately HK$1.9 million).

As a diversification of business, the Group was exploring new business opportunities including but not limited to those related to the resources industry in order to provide healthy returns for the shareholders of the Company. The Group has commenced trial operations in the trading of chemical products since April 2013 in order to diversify its income stream. The revenue and segment loss generated from the trading of chemical products during the Year was approximately HK$48.5 million and HK$1.9 million respectively.

Prospects

The economic environment for 2014 is still remained challenging and uncertain with the tentative timetable for US Federal Reserve ending its quantitative easing monetary policies and the expectation of Mainland China undergoing economic transformation in coming year resulted in slowing down the pace of growth. The Group will continue to focus on developing its financial services platform and hope to reach a sufficient scale of operations. To achieve this aim, the Group will continue to enlarge its client base, develop more varieties of financial products e.g. setting up new funds and conducting overseas market trading. To seize the opportunities coming from the economic reforms in Mainland China, the Group has conducted several feasibility studies including exploring co-investment partners or investors and registration in the new special economic zone.

Gained from the experience of the trial runs, the Group will continue to expand and improve the operations of the trading of chemical products by putting more resources on it. For further diversification, the Group will seek to expand its trading activities into other attractive products and trading platform.

In order to cope with our expansion in financial services, the Group will continue to recruit experienced talents, at local or overseas, in the financial industry to further improve our business management and operations.

Acquisitions and Disposals

There was no material acquisition or disposal during the Year.

Liquidity and Financial Resources

As at 31 December 2013, cash and bank balances in general accounts maintained by the Group were approximately HK$58.5 million, representing a decrease of 10.7% from approximately HK$65.5 million as at 31 December 2012. Balances in trust and segregated accounts were approximately HK$7.2 million (31 December 2012: HK$8.0 million). Trade and other receivables and prepayments were approximately HK$45.7 million as at the end of the Year (31 December 2012: HK$37.2 million), which mainly represented increased receivables from asset management services and increased trade volume arising from business of securities brokerage. Trade and other payables and accruals have increased from approximately HK$13.7 million as at 31 December 2012 to approximately HK$18.6 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 also been provided with a HK$30.0 million loan from its major shareholder, which was recorded in the Group's current liabilities. 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$111.4 million (31 December 2012: HK$110.6 million) and approximately HK$48.8 million (31 December 2012: HK$13.8 million) respectively. The Group has no bank borrowings as at 31 December 2013. The gearing of the Group, measured as total debts to total assets, remained healthy at approximately 25.1% as at 31 December 2013 despite increasing from approximately 0% as at 31 December 2012. At the end of the Year, the Group recorded net assets of approximately HK$70.5 million as compared with approximately HK$104.8 million as at 31 December 2012, with the decrease largely due to the loss recorded during the Year. During the Year, the Group financed its operations with internally generated cash flow, funds from the disposal of the Group's trading of telecommunication equipment business in December 2012 and the aforementioned shareholder's loan.

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

There has been no change to the capital structure of the Group during the Year.

Contingent Liabilities

As at 31 December 2013, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 31 December 2013, the obligations under finance leases of approximately HK$70,000 were pledged by the assets with carrying amount of HK$102,000.

Employees and Remuneration Policies

As at 31 December 2013, the Group employed approximately 42 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

On 1 March 2014, Mr. Lam Kam Tong resigned and Mr. Wu Fred Fong was appointed as a member of the Audit Committee. On 5 March 2014, Mr. Lo Ka Wai was appointed as a member of the 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 2013 have been reviewed by the Audit Committee. The Audit Committee comprises four members namely, Mr. Cheung Kwok Keung (Chairman), Mr. Lo Ka Wai, Mr.Qi Wenju and Mr.Wu Fred Fong. All of them are independent non-executive Directors.

REMUNERATION COMMITTEE

On 1 March 2014, Mr. Lam Kam Tong resigned and Mr. Wu Fred Fong was appointed as a member of the Remuneration Committee. On 5 March 2014, Mr. Lo Ka Wai was appointed as a member of the 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 four independent non-executive Directors namely, Mr. Cheung Kwok Keung (Chairman), Mr. Lo Ka Wai, Mr. Qi Wenju and Mr. Wu Fred Fong.

NOMINATION COMMITTEE

On 1 March 2014, Mr. Lam Kam Tong resigned and Mr. Wu Fred Fong was appointed as a member of the Nomination Committee. On 5 March 2014, Mr. Lo Ka Wai was appointed as a member of the Nomination Committee.

The Nomination Committee has been set up with written term of reference in accordance with the requirements of the Listing Rules. The Nomination Committee comprises one executive Director namely Ms. Lin Min (Chairman), and three independent non-executive Directors namely, Mr. Cheung Kwok Keung, 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 Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules during the Year except for the following deviations:

Under the Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Lam Kam Tong, a former independent non-executive Director, was unable to attend the annual general meeting of the Company held on 23 May 2013 due to his 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 23 May 2013, our chairman was unable to attend the meeting as she had other business commitments. She appointed Mr. Yip Kar Hang, Raymond, a former 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.

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 ended 31 December 2013 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, 11 March 2014

As at the date of this announcement, the Board consists of Ms. Lin Min, Mr. Wu Siu Lam, William and Ms. Kwong Wai Man, Karina (all being executive Directors), Mr. Xu Guocai (being non-executive Director), Mr. Cheung Kwok Keung, Mr. Lo Ka Wai, Mr. Qi Wenju and Mr. Wu Fred Fong (all being independent non-executive Directors).