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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)

ISSUE OF CONVERTIBLE BONDS AND WARRANTS

ISSUE OF CONVERTIBLE BONDS AND WARRANTS

On 1 April 2015 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber in relation to the issuance of (i) the Convertible Bonds of a principal amount of HK\$200,000,000 and (ii) the Warrants of an aggregate face value of HK\$18,000,000. The subscription of the Convertible Bonds and the subscription of the Warrants by the Subscriber are inter-conditional with each other and the Bond Completion and the Warrant Completion shall take place simultaneously on Completion Date.

The Convertible Bonds will bear the Rate of Interest of 8% per annum and will be due on the third anniversary of the Initial Issue Date. Assuming the exercise in full of the Conversion Right at the initial Conversion Price and the aggregate principal amount of HK\$200,000,000 of the Convertible Bonds is issued, a total of 571,428,571 Conversion Shares will be issued at an initial Conversion Price of HK\$0.35 per Conversion Share.

The aggregate face value of the Warrants is HK\$18,000,000 and the Warrants entitle the Subscriber to subscribe for the Subscription Shares at an initial Subscription Price of HK\$0.18 per Subscription Share for a period of 3 years commencing from the date of issue of the Warrants. Based on the initial Subscription Price of HK\$0.18 per Subscription Share, a total of 100,000,000 Subscription Shares will be allotted and issued by the Company upon full exercise of the subscription rights attaching to the Warrants.

LISTING RULES IMPLICATIONS

By a resolution of the Shareholders passed at the special general meeting of the Company held on 29 December 2014, the Company granted the General Mandate to the Directors to allot and issue up to 20% of the aggregate nominal amount of the share capital of the Company in issue on 29 December 2014, i.e. 694,352,510 Shares. The Directors have not exercised the power to allot and issue any new Shares pursuant to the General Mandate. As at the date of this announcement, the Directors are entitled to issue up to 694,352,510 Shares pursuant to the General Mandate. It is intended that the Conversion Shares and the Subscription Shares will be allotted and issued under the General Mandate.

The Convertible Bonds, the Conversion Shares, the Warrants and the Subscription Shares will be issued pursuant to authority conferred upon the Directors under the General Mandate granted on 29 December 2014.

Shareholders and potential investors should note that the Completion is subject to fulfillment of the Conditions Precedent under the Subscription Agreement. As the transaction may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

On 1 April 2015 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber in relation to (i) the issuance of the Convertible Bonds of a principal amount of HK\$200,000,000, with a term of 3 years, at an initial Conversion Price of HK\$0.35 per Conversion Share; and (ii) the issuance of the Warrants of an aggregate face value of HK\$18,000,000 pursuant to which the Subscriber is entitled to subscribe for the Subscription Shares at an initial Subscription Price of HK\$0.18 per Subscription Share for the period of 3 years. The subscription of the Convertible Bonds and the subscription of the Warrants by the Subscriber are inter-conditional with each other and the Bond Completion and the Warrant Completion shall take place simultaneously on Completion Date.

Details of the terms of the Subscription Agreement, the Convertible Bonds and the Warrants are summarized below.

SUBSCRIPTION AGREEMENT

Date: 1 April 2015 (after trading hours)

Issuer: the Company

Subscriber: the Subscriber

The Subscriber is entitled to nominate any of its wholly-owned subsidiaries to subscribe the Convertible Bonds and/or the Warrants by giving written notice to the Company not less than 3 Business Days prior to the Completion Date.

Conditions Precedent: Completion is conditional on:

- (a) the warranties under the Subscription Agreement remaining true, accurate and correct in all material aspects;
- (b) all issued Shares remaining listed on, and not having been withdrawn from, the Stock Exchange and the Stock Exchange not having indicated that it will object to such listing and there being no events or circumstances existing based on which the Stock Exchange could reasonably be expected to raise such objection;
- (c) the obtaining of all licenses, consents, approvals, authorizations, permissions, waivers, orders or exemptions from government or regulatory authorities or third parties which are necessary for the execution and performance of the Subscription Agreement;
- (d) the approval of each of the Board and the board of directors of the Subscriber in relation to the transactions contemplated under the Subscription Agreement;

- (e) listing of, and permission to deal in, all of the Conversion Shares upon conversion of the Convertible Bonds or all of the Subscription Shares upon exercising the subscription rights attached to the Warrants (as the case may be) having been granted by the Listing Committee of the Stock Exchange (either unconditionally or if subject to conditions, such conditions being reasonably acceptable to the Subscriber and if required by the Stock Exchange for it to be fulfilled before Bond Completion or Warrant Completion (as the case may be), such conditions being fulfilled or satisfied before Bond Completion or Warrant Completion (as the case may be)) and such listing and permission remaining in full force and effect and not subsequently being revoked;
- (f) in the case of the Bond Completion, there being no event existing or having occurred and no condition being in existence which would (had any Convertible Bonds already been issued) constitute an Event of Default; and
- (g) there being no injunction, restraining order or order of similar nature by a governmental authority issued as of the Completion Date that could prevent or materially interfere with the consummation of the transactions contemplated under the Subscription Agreement.

In the event that all the Conditions Precedent shall have not been satisfied or waived in writing by the Subscriber on or before 30 June 2015, the Subscription Agreement shall lapse (save for the provisions relating to interpretation, announcement, confidentiality, notices, general provisions and governing law and jurisdiction) and become null and void between the Company and the Subscriber, and neither the Company nor the Subscriber shall have or make any claim against the other in respect hereof save for liabilities for any antecedent breach.

The Subscriber may at any time waive in writing any or all of the Conditions Precedent (save and except for (b) to (f) above, if as a result of such waiver the Company would be in breach of the Listing Rules, the Takeovers Code or the rules or regulations of any relevant governmental, statutory or regulatory authority) either in whole or in part and conditionally or unconditionally by giving notice in writing to the Company.

Completion:

Subject to the fulfillment or waiver of the Conditions Precedent, Bond Completion and Warrant Completion shall take place on the Completion Date simultaneously at such place and time to be agreed in writing between the Company and the Subscriber. The Completion Date shall be in any event no later than 30 June 2015.

Termination: If an effect or circumstance that carries a Material Adverse Effect occurs prior to the Bond Completion, the Subscriber may, without liability to the Company, elect not to proceed to the Bond Completion by giving notice in writing to the Company at any time prior to 5:00 p.m. (Hong Kong time) on the Completion Date.

Upon serving of such notice, the provisions of the Subscription Agreement in connection with subscription of the Convertible Bonds (save for the provisions relating to interpretation, announcement, confidentiality, notices, general provisions and governing law and jurisdiction) will lapse and become null and void and the Company and the Subscriber will be released from all obligations in connection with subscription of the Convertible Bonds under the Subscription Agreement, save for liabilities for any antecedent breaches of the Subscription Agreement.

If an effect or circumstance that carries a Material Adverse Effect occurs prior to the Warrant Completion, the Subscriber may, without liability to the Company, elect not to proceed to the Warrant Completion by giving notice in writing to the Company at any time prior to 5:00 p.m. (Hong Kong time) on the Completion Date.

Upon serving of such notice, the provisions of the Subscription Agreement in connection with subscription of the Warrants (save for the provisions relating to interpretation, announcement, confidentiality, notices, general provisions and governing law and jurisdiction) will lapse and become null and void and the Company and the Subscriber will be released from all obligations in connection with subscription of the Warrants under the Subscription Agreement, save for liabilities for any antecedent breaches of the Subscription Agreement.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, each of the Subscriber and its ultimate beneficial owners is an Independent Third Party.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Issuer: the Company

Term: 3 years

Denomination: HK\$1,000,000 each

Rate of Interest: 8.0 per cent per annum

Interest accrued on a Convertible Bond shall be calculated by applying the Rate of Interest to the principal amount of such Convertible Bond and paid in Hong Kong Dollars.

The Convertible Bonds shall bear interest at the Rate of Interest in respect of each Interest Period and the Company shall pay such interest on each Interest Payment Date.

**Status of the
Convertible Bonds:**

The Convertible Bonds constitute senior, direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank pari passu and rateably without any preference or priority among themselves and with all existing and future unsubordinated and unsecured obligations.

**Transfer of the
Convertible Bonds:**

- (i) Subject to, among others, (ii) to (iii) below, a Convertible Bond may be transferred or exchanged at any time by delivery of the Certificate issued in respect of that Convertible Bond, with the endorsed form of transfer duly completed and signed by the registered Bondholder or his attorney duly authorised in writing, to the Company at the Designated Office together with such evidence as the Company may reasonably require to prove the authority of the individuals who have executed the form of transfer. No transfer of title to a Convertible Bond will be valid unless and until entered on the Register of Bondholders.
- (ii) A Convertible Bond may only be transferred if:
 - (a) such transfer shall be in compliance with the terms and conditions of the Convertible Bond;
 - (b) it is not transferred to any person who is a connected person (as defined under the Listing Rules) of the Company unless with (i) prior notification to the Company, (ii) full compliance of the Listing Rules, (iii) full compliance with requirements (if any) that the Stock Exchange may impose from time to time, and (iv) the consent (if applicable) of the Stock Exchange; and
 - (c) the Bondholder proposing to transfer a Convertible Bond has given the Company not less than 30 days' prior written notice. The Company shall be entitled to require the transferee to provide on a timely basis such documentation and other evidence for the purpose of (i) background checks (or "know you customer" checks) on the transferee and (ii) identification as to whether the transferee is a connected person (as defined under the Listing Rules) of the Company, as is reasonably requested by the Company and to the satisfaction of the Company. Where the Company has not received such documentation and evidence from the transferee within the notice period set out in the Bondholder's aforesaid written notice, the Company shall forthwith inform the Bondholder. The Convertible Bonds shall not be transferred before such documentation and evidence is provided to the Company.
- (iii) No Bondholder may require the transfer of any Convertible Bond to be registered (i) during the period of three (3) Business Days ending on (and including) the dates for payment of any principal pursuant to the Conditions; (ii) after a Conversion Notice has been delivered with respect to such Convertible Bond; or (iii) any of the Interest Payment Dates.

Early Redemption, Maturity and Cancellation:

The Company shall have the right, with the consent of the Bondholder, to early redeem the Convertible Bond (in part or in whole) at the aggregate amount of the outstanding principal of the Convertible Bond to be redeemed and the interest accrued on the Convertible Bond to be redeemed and calculated at the Rate of Interest, by paying such aggregate amount to the Bondholder at any time prior to the Maturity Date.

Unless previously redeemed, converted or cancelled as provided herein, the Company will redeem each Bond on the Maturity Date at the Redemption Amount.

All Convertible Bonds which are redeemed by the Company will forthwith be cancelled and such Bonds may not be reissued or resold.

Conversion Price:

The price at which Shares will be issued upon conversion will be HK\$0.35 per Share but will be subject to adjustments in the manner as described below.

The initial Conversion Price of HK\$0.35 represents:

- (i) a premium of approximately 79.5% to the closing price of HK\$0.195 per Share as quoted on the Stock Exchange on 1 April 2015, being the date of this announcement;
- (ii) a premium of approximately 80.4% to the average closing price of the Shares of approximately HK\$0.194 per Share as quoted on the Stock Exchange over the last five Trading Days up to and including date of this announcement; and
- (iii) a premium of approximately 76.8% to the average closing price of the Shares of approximately HK\$0.198 per Share as quoted on the Stock Exchange over the last ten Trading Days up to and including date of this announcement.

The Conversion Price was determined after arms' length negotiations between the Company and the Subscriber having regard to the prevailing market price of the Shares prior to the date of this announcement and the business performance of the Group under the prevailing market conditions.

Conversion:

Subject to, and upon compliance with, the provisions of the Conditions, the Conversion Right attaching to any Convertible Bond may be exercised, during the Conversion Period.

Assuming full conversion of the Convertible Bonds at the initial Conversion Price and an aggregate principal amount of HK\$200,000,000 of the Convertible Bonds is issued, the Convertible Bonds will be converted into approximately 571,428,571 Shares, representing approximately 16.5% of the existing issued share capital of the Company and approximately 14.1% of the issued share capital of the Company as enlarged by the conversion.

**Adjustments to
Conversion Price:**

Subject to other provisions of the Conditions, Conversion Price will be adjusted in certain events, including: consolidation, subdivision or reclassification, capitalization of profits or reserves, capital distribution, rights issues of Shares or options over Shares (at less than 95% of the Current Market Price per Share on the last Trading Day preceding the date of the announcement of the terms of such issue or grant), rights issues of other securities etc.

Events of Default:

For so long as any Convertible Bond remains outstanding, the Bondholders at their discretion may, give notice to the Company that the Convertible Bonds are, and they shall accordingly thereby become, immediately due and repayable without further formality at an amount equal to the Redemption Amount, if any of the following Event of Default occurs:

- (i) there is failure by the Company to pay any principal, interest or any other amount due in respect of the Convertible Bonds and the Company fails to rectify such failure within five Business Days from the payment due date;
- (ii) there is any failure by the Company to deliver any Shares as and when the Shares are required to be delivered following conversion of the Convertible Bonds;
- (iii) the Shares cease to be listed on the Stock Exchange or a recognized stock exchange or are suspended from trading on the Stock Exchange for a continuous period of 30 trading days due to the default of the Company, excluding any suspension in connection with (i) the restructuring of the Group; and (ii) the clearance of any announcement, circular or other documents pursuant to the Listing Rules or the Takeovers Code;
- (iv) it is or will become unlawful for the Company to perform or comply with any one or more of its covenants, conditions, provisions or obligations under any of the Convertible Bonds; or
- (v) the Company or any of its major subsidiaries is insolvent or unable to pay its debts as and when they fall due or the Company or any of its major subsidiaries shall initiate or consent to proceedings relating to itself under any applicable administration, bankruptcy, composition or insolvency law or scheme of arrangement while insolvent or makes a general assignment for the benefit of, or enters into any composition with, its creditors.

Lock-Up Period:

A Bondholder shall be free to dispose of any of the Conversion Shares to be issued and allotted upon the Bondholder exercises his Conversion Right in accordance with the Conditions.

Voting:

The Bondholders shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being a Bondholder.

- Listing:** The Convertible Bonds will not be listed on the Stock Exchange or any other stock exchange.
- Undertakings:**
- (i) So long as there are outstanding Convertible Bonds, the Company will not, except with the prior consent of the Bondholders, issue any equity securities at a conversion price or exchange price which is lower than the then applicable Conversion Price.
 - (ii) The Company shall not issue any further equity securities if and to the extent that such issuance will result in the Company being unable to comply with the adjustment provisions and its obligations to deliver Shares under the Conditions or result in breach of the Listing Rules (including but not limited to the minimum public float requirement of the Listing Rules).
 - (iii) The Company shall not enter into any deed, agreement, assignment, instrument or documents whatsoever binding on it which may result in any breach of its constitutional documents or any of the terms and conditions of the Convertible Bonds and/or the Subscription Agreement.
 - (iv) Unless so required by the Stock Exchange, the Listing Rules, applicable law or regulation or for the purpose of establishing any dividend or other rights attaching to the Shares, the Company shall not close the register of shareholders of the Company or take any other action which would prevent the transfer of its Shares (including the Conversion Shares).

PRINCIPAL TERMS OF THE WARRANTS

- Issuer:** the Company
- Term:** 3 years
- Issue Price:** The Issue Price is HK\$1.00.
- Subscription Price:** The price at which the Subscription Shares will be issued upon exercise of the subscription rights attaching to the Warrants will be HK\$0.18 per Subscription Share but will be subject to adjustments in the manner as described below.
- The initial Subscription Price represents:
- (i) a discount of approximately 7.7% to the closing price of HK\$0.195 per Share as quoted on the Stock Exchange on 1 April 2015, being the date of this announcement;

- (ii) a discount of approximately 7.2% to the average closing price of the Shares of approximately HK\$0.194 per Share as quoted on the Stock Exchange over the last five Trading Days up to and including date of this announcement; and
- (iii) a discount of approximately 9.1% to the average closing price of the Shares of approximately HK\$0.198 per Share as quoted on the Stock Exchange over the last ten Trading Days up to and including date of this announcement.

The initial Subscription Price and the aggregate of it with Issue Price were determined after arms' length negotiations between the Company and the Subscriber having regard to the prevailing market price of the Shares prior to the date of this announcement and the business performance of the Group under the prevailing market conditions.

**Adjustments to
Subscription Price:**

Subject to other provisions of the Warrants, Subscription Price will be adjusted in certain events, including: consolidation, subdivision, capitalization of profits or reserves, capital distribution, rights issues of Shares or options to subscribe for Shares (at less than 95% of the market price per Share on the date of the announcement of the terms of such issue or grant), rights issues of other securities etc.

Transfer of the Warrants:

The Warrants shall be in registered form and shall be transferable in integral multiples of 10,000 Warrants by instrument of transfer in any usual or common form or such other form as may be approved by the Directors. For this purpose, the Company shall maintain a register of Warrantholders in the territory where the Stock Exchange for the time being is situate (or in such other place as the Directors consider appropriate, having regard to applicable rules governing the listing of the Warrants).

Voting:

The Warrantholders shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being a Warrantholder.

Listing:

The Warrants will not be listed on the Stock Exchange or any other stock exchange.

SHAREHOLDING STRUCTURE OF THE COMPANY

To the best knowledge of the Directors and the Company assuming that no other Shares will be issued, the shareholding structures of the Company (i) as at the date of this announcement and immediately before the conversion of the Convertible Bonds and exercise of the Subscription rights attached to the Warrants, (ii) immediately after conversion in full of the Convertible Bonds at the initial Conversion Price but before the exercise of the subscription rights attached to the Warrants; and (iii) immediately after conversion in full of the Convertible Bonds and the exercise in full of the subscription rights attached to the Warrants at the initial Subscription Price are as follows:

Name of shareholders	Number of Shares held as at the date of this announcement and immediately before the conversion of the Convertible Bonds and exercise of the subscription rights attached to the Warrants	Percentage of shareholding as at the date of this announcement and immediately before the conversion of the Convertible Bonds and exercise of the subscription rights attached to the Warrants	Number of Shares immediately after conversion in full of the Convertible Bonds but before the exercise of the subscription rights attached to the Warrants	Percentage of shareholding immediately after conversion in full of the Convertible Bonds but before the exercise of the subscription rights attached to the Warrants	Number of Shares immediately after conversion in full of the Convertible Bonds and the exercise in full of the subscription rights attached to the Warrants	Percentage of shareholding immediately after conversion in full of the Convertible Bonds and the exercise in full of the subscription rights attached to the Warrants
King Lion Group Limited <i>(Note 1)</i>	1,011,000,000	29.1%	1,011,000,000	25.0%	1,011,000,000	24.4%
Front Riches Investments Limited <i>(Note 2)</i>	410,309,600	11.8%	410,309,600	10.1%	410,309,600	9.9%
Tse Dik Chi	300,000,000	8.6%	300,000,000	7.4%	300,000,000	7.3%
The Subscriber	—	—	571,428,571	14.1%	671,428,571	16.2%
Public Shareholders	1,750,452,956	50.5%	1,750,452,956	43.4%	1,750,452,956	42.2%
Total	<u>3,471,762,556</u>	<u>100.0%</u>	<u>4,043,191,127</u>	<u>100.0%</u>	<u>4,143,191,127</u>	<u>100.0%</u>

Notes:

- King Lion Group Limited is wholly owned by Smart Chant Limited which in turn is wholly owned by Mr. Gao Yongzhi.
- Front Riches Investments Limited is a corporation wholly controlled by Mr. Hu Yishi.

LISTING RULES IMPLICATIONS

By a resolution of the Shareholders passed at the special general meeting of the Company held on 29 December 2014, the Company granted the General Mandate to the Directors to allot and issue up to 20% of the aggregate nominal amount of the share capital of the Company in issue on 29 December 2014, i.e. 694,352,510 Shares. The Directors have not exercised the power to allot and issue any new Shares pursuant to the General Mandate. As at the date of this announcement, the Directors are entitled to issue up to 694,352,510 Shares pursuant to the General Mandate. It is intended that the Conversion Shares and the Subscription Shares will be allotted and issued under the General Mandate. No Shareholders' approval is required under the constitutional documents of the Company to issue the Convertible Bonds and the Warrants.

Pursuant to Rule 15.02(1) of the Listing Rules, the Subscription Shares to be allotted and issued upon exercise of the Warrants must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Warrants are issued. Options granted under employee or executive share schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of such limit.

As at the date of this announcement, save for the 100,000,000 Subscription Shares to be allotted and issued upon full exercise of the subscription rights attached to the Warrants, and 140,000,000 Shares to be issued on exercise of the subscription rights attached to the option under the consultancy agreement dated 19 June 2014, the Company does not have other securities with subscription rights outstanding and not yet exercised. As at the date of this announcement, the issued share capital of the Company was 3,471,762,556 Shares, hence the number of 240,000,000 new Shares to be allotted and issued will not exceed the 20% threshold under Rule 15.02(1) of the Listing Rules.

APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares and the Subscription Shares which may fall to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds and the subscription rights attached to the Warrants respectively. No listing of the Convertible Bonds and the Warrants will be sought on the Stock Exchange or any other stock exchanges.

USE OF PROCEEDS

The estimated net proceeds of the issue of the Convertible Bonds, assuming an aggregate principal amount of HK\$200,000,000 of the Convertible Bonds is issued, after deduction of expenses, are expected to amount to approximately HK\$199.8 million. It is intended that the Company shall use the net proceeds from the issue of the Convertible Bonds to form a joint venture with the Subscriber for the expansion of the Company's commodity trading business including but not limited to oil trading.

Based on the net proceeds from the issue of the Convertible Bonds of HK\$199.8 million, the net price per Conversion Share is approximately HK\$0.35, calculated by dividing the estimated aggregate net proceeds from the issue and full conversion of the Convertible Bonds at the initial Conversion Price by the initial number of the Conversion Shares.

Assuming the full exercise of the subscription rights attaching to the Warrants at the Subscription Price, it is expected, after deduction of expenses, the net proceeds of approximately HK\$18 million will be raised. The additional funds will be utilised by the Group for its general working capital and as funds for future development of the existing business of the Group and other business when investment opportunities arise. As at the date of this announcement, the Company did not have any specific development and investment plans save for those already disclosed.

The net price per Subscription Share is approximately HK\$0.18, calculated by dividing the estimated aggregate net proceeds from the issue and full exercise of the Warrants at the initial Subscription Price by the initial number of Subscription Shares.

REASONS FOR AND BENEFITS OF THE ISSUE OF THE CONVERTIBLE BONDS AND THE WARRANTS

The Directors consider raising funds by issuing the Convertible Bonds and the Warrants is justifiable considering the recent market conditions which represent an opportunity for the Group to enhance its working capital and strengthen its capital base and financial position for the possible future investments of the Group. The Directors consider that the issue of the Convertible Bonds and the Warrants is an appropriate means of raising additional capital for the Group since it will not have an immediate dilution effect on the shareholding of the existing Shareholders and the current market circumstances make it difficult to borrow funds from the financial market.

The Directors consider that the terms of the Subscription Agreement (including the Convertible Bonds, the Warrants, the Conversion Price, the Issue Price and the Subscription Price), which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any fund raising activities in the past twelve months immediately preceding the date of this announcement:

Description	Announcement Date	Net amount raised	Intended use of proceeds as announced	Actual use of proceeds
Issue of convertible notes	5 November 2014 and 19 December 2014	HK\$134.7 million	at least HK\$100 million as investment capital or general working capital of the Company for business development of Sheng Yuan Financial Services Group Limited and the remaining proceeds as general working capital for the Group	applied for intended use

INFORMATION ON THE SUBSCRIBER

The Subscriber is a subsidiary of CITIC International Asset Management Limited and a merchant banking arm of the CITIC Group. It is principally engaged in the provision of strategic advisory services and financing solutions for state-owned and private enterprises in diversified sectors, in particular, healthcare, energy and resources sectors.

INFORMATION ON THE COMPANY

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, and proprietary trading business.

Shareholders and potential investors should note that the Completion is subject to fulfillment of the Conditions Precedent under the Subscription Agreement. As the transaction may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Board”	means the board of directors of the Company from time to time
“Bond Completion”	means completion of the subscription of the Convertible Bonds pursuant to the Subscription Agreement
“Bond Consideration”	means HK\$200,000,000 under the Subscription Agreement
“Bondholder(s)”	means the person(s)/entity(ies) in whose name a Convertible Bond is registered in the Register of Bondholders
“Business Day”	means a day (other than a Saturday and a Sunday and a day on which a tropical cyclone warning number 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general banking business in Hong Kong throughout their normal business hours
“Certificate”	means the certificate, substantially in the form set out in the Subscription Agreement, to be issued in respect of the Convertible Bonds, together with the Conditions
“Company”	Sheng Yuan Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“Completion”	means completion of the transactions contemplated in the Subscription Agreement
“Completion Date”	means the date on which the Bond Completion and the Warrant Completion take place, which shall be in any event no later than 30 June 2015
“Conditions”	means the terms and conditions to the Convertible Bonds to be attached to the Certificate substantially in the form set out in the Subscription Agreement

“Conditions Precedent”	means the conditions precedent set out in the Subscription Agreement
“Conversion Notice”	means a notice of conversion the Bondholder completes, executes and deposits at its own expense during normal business hours at the Designated Office to exercise the Conversion Right attaching to any Convertible Bond
“Conversion Period”	means any time following the Initial Issue Date up to the Maturity Date (both days inclusive) but, except in cases of revival and/or survival after default, in no event thereafter
“Conversion Price”	means the price at which Conversion Shares will be issued upon conversion of the Convertible Bonds
“Conversion Right”	means the right of each Bondholder to convert any Convertible Bond held by it into Shares
“Conversion Share(s)”	means the Share(s) to be issued by the Company upon conversion of the Convertible Bonds
“Convertible Bond(s)”	means the convertible bonds due 2018 in the aggregate principal amount of HK\$200,000,000 having a denomination of HK\$1,000,000 each, constituted by the Certificate and to be issued by the Company on the Completion Date pursuant to the Subscription Agreement with the benefit of and subject to the Conditions
“Current Market Price”	means in respect of the Shares on a particular date, the average closing price per Share quoted on the daily quotation sheets of the Stock Exchange for the thirty (30) consecutive Trading Days immediately preceding the day of such date
“Designated Office”	means the Company’s principal place of business in Hong Kong from time to time
“Directors”	means the directors of the Company
“Encumbrance”	includes any interest or equity of any person (including any right to acquire, right of first refusal, option or right of pre-emption); any mortgage, charge, pledge, lien, assignment, hypothecation, security interest of any kind (including any created by law), title retention or other security agreement or arrangement; and any rental, hire purchase, credit or conditional sale or other agreement for payment on deferred terms and includes any agreement for any of the same, and “Encumber” and “Encumbrancer” shall be construed accordingly
“Event(s) of Default”	means the events of default of the Convertible Bonds as stipulated under the Conditions
“General Mandate”	means the general mandate granted to the Directors to allot and issue up to 20% of the aggregate nominal amount of the share capital of the Company in issue on 29 December 2014, by a resolution of the Shareholders passed at the special general meeting of the Company held on 29 December 2014

“Group”	means the Company and its subsidiaries from time to time
“HK\$”	means Hong Kong Dollars, the lawful currency from time to time of Hong Kong
“Hong Kong”	means Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who is/are independent of the Company and its connected persons and is/are not a connected person(s) of the Company
“Initial Issue Date”	means the date on which a Convertible Bond is first issued
“Interest Payment Date”	means the last calendar date of each Interest Period which includes the Maturity Date
“Interest Period”	means every 6-month interest period that commences on the Initial Issue Date and ends on the Maturity Date
“Issue Price”	HK\$1.00
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Material Adverse Effect”	means an event or circumstance, occurrence or any combination thereof arising or occurring, the effect of which is reasonably likely to have a material adverse effect on the business, operations, assets, liabilities (including contingent liabilities), business or financial condition, results or prospects of the Group as a whole, or the ability of the Company to perform its obligations under the Subscription Agreement, provided that (a) any change that generally affects the industries or markets in which the Group operates, (b) any change in the financial markets or general economic or political conditions, (c) any change in law or any accounting principle applicable to the Group shall not be taken as a Material Adverse Effect
“Maturity Date”	means the third anniversary date of the Initial Issue Date
“PRC”	means the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Rate of Interest”	means 8.0 per cent. per annum
“Redemption Amount”	means 100 per cent. of the outstanding principal amount, together with accrued interest, and all other amounts accrued or outstanding under the Convertible Bonds
“Register of Bondholders”	means the register of the Convertible Bonds to be kept and maintained by the Company at its principal share registrar and transfer office in Bermuda
“Shares”	means the shares of HK\$0.05 each in the capital of the Company

“Shareholder(s)”	means holder(s) of the Shares
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Subscriber”	means CITIC Merchant Co., Limited, a company incorporated in Hong Kong with limited liability
“Subscription Agreement”	means the subscription agreement entered into between the Company and the Subscriber on 1 April 2015 (after trading hours) in relation to the issue of the Convertible Bonds and the Warrants, as varied, amended, modified, varied or supplemented in writing by the parties thereto from time to time
“Subscription Price”	means the initial subscription price of HK\$0.18 per Subscription Share (subject to adjustment) at which holder of the Warrants may subscribe for the Subscription Shares
“Subscription Share(s)”	means new Share(s) which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the Warrants
“Takeovers Code”	means the Hong Kong Code on Takeovers and Mergers and Share Repurchases
“Trading Day”	means a day on which trading of the Shares is conducted on the Stock Exchange in accordance with the rules and regulations of the Stock Exchange promulgated from time to time
“Warrant(s)”	means the non-listed warrant(s) of the Company constituted by the warrant instrument which entitle holders thereof to subscribe for the Subscription Shares at the Subscription Price
“Warrant Completion”	means completion of the subscription of the Warrants pursuant to the Subscription Agreement
“Warrantholder(s)”	means the person(s)/entity(ies) in whose name a Warrant is registered in a register of Warrantholders

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

Hong Kong, 1 April 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).