盛源控股有限公司
SHENG YUAN HOLDINGS LIMITED
*(Incorporated in Bermuda with limited liability)*
**(Stock code: 851)**

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board of directors (the "**Directors**", collectively referred to as the "**Board**") of Sheng Yuan Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2015 together with the comparative figures as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2015*

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | | **2015** | 2014 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited) |
| Revenue | *4* | **270,095** | 190,288 |
| Other gains and losses | | **52,329** | 637 |
| Other income | | **12** | 10 |
| Purchase of inventories for trading business | | **(224,075)** | (186,873) |
| Staff costs | *5* | **(52,357)** | (21,447) |
| Depreciation | | **(521)** | (540) |
| Finance costs | | **(16,477)** | (431) |
| Other expenses | | **(23,542)** | (15,547) |
| Share of results of associates | | **(3,560)** | – |
| **Profit/(Loss) before income tax** | *5* | **1,904** | (33,903) |
| Income tax (expense)/credit | *6* | **(1,020)** | 11 |
| **Profit/(Loss) for the period** | | **884** | (33,892) |

| | Notes | Six months ended 30 June **2015** **HK$'000** **(Unaudited)** | 2014 HK$'000 (Unaudited) |
|---|---|---|---|
| **Other comprehensive income** | | | |
| *Item that may be reclassified subsequently to profit or loss* | | | |
| – Exchange differences on translation of financial statements of foreign operations | | **(153)** | (210) |
| **Other comprehensive income for the period** | | **(153)** | (210) |
| **Total comprehensive income for the period** | | **731** | (34,102) |
| **Profit/(Loss) for the period attributable to:** | | | |
| – Owners of the Company | | **888** | (33,892) |
| – Non-controlling interests | | **(4)** | – |
| | | **884** | (33,892) |
| **Total comprehensive income for the period attributable to:** | | | |
| – Owners of the Company | | **735** | (34,102) |
| – Non-controlling interests | | **(4)** | – |
| | | **731** | (34,102) |
| | | ***HK cent*** | *HK cents* |
| **Earnings/(Loss) per share** | *8* | | |
| – Basic | | **0.03** | (1.05)* |
| – Diluted | | **(0.10)** | (1.05)* |

** restated*

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2015*

| | Notes | 30 June 2015 HK$'000 (Unaudited) | 31 December 2014 HK$'000 (Audited) |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *9* | **1,517** | 1,961 |
| Trading rights | | **3,322** | 3,322 |
| Available-for-sale investment | | **100** | 100 |
| Interests in associates | | **88,449** | 92,092 |
| Derivative financial instruments | | **3,114** | 1,481 |
| Other assets | | **1,705** | 1,730 |
| | | **98,207** | 100,686 |
| **Current assets** | | | |
| Trade and other receivables and prepayments | *10* | **436,811** | 249,952 |
| Held for trading investments | *11* | **188,223** | 71,958 |
| Current tax assets | | **126** | 156 |
| Derivative financial instruments | | – | 640 |
| Trust bank balances held on behalf of clients | | **200,193** | 10,542 |
| Cash and cash equivalents | | **76,616** | 94,467 |
| | | **901,969** | 427,715 |
| **Current liabilities** | | | |
| Trade and other payables and accruals | *12* | **284,776** | 22,717 |
| Borrowings | | **345,273** | 154,924 |
| Obligations under finance leases | | **13** | 32 |
| Derivative financial instruments | | **2,980** | 203 |
| Current tax liabilities | | **3,389** | 2,399 |
| | | **636,431** | 180,275 |
| **Net current assets** | | **265,538** | 247,440 |
| **Total assets less current liabilities** | | **363,745** | 348,126 |
| **Non-current liabilities** | | | |
| Convertible bonds | | **145,983** | 133,900 |
| | | **145,983** | 133,900 |
| **Net assets** | | **217,762** | 214,226 |

| | Notes | **30 June 2015** *HK$'000* **(Unaudited)** | 31 December 2014 *HK$'000* (Audited) |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | | **174,288** | 173,588 |
| Reserves | | **25,663** | 22,823 |
| **Equity attributable to owners of the Company** | | **199,951** | 196,411 |
| **Non-controlling interests** | | **17,811** | 17,815 |
| **Total equity** | | **217,762** | 214,226 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 1. GENERAL INFORMATION

Sheng Yuan Holdings Limited (the "**Company**") is an exempted company with limited liability incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is Suites 4301-5, 43/F., Tower 1, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

The Company is an investment holding company. Its subsidiaries are principally engaged in trading business, provision of securities brokerage and financial services, asset management services and proprietary trading business.

The condensed consolidated financial statements for the six months ended 30 June 2015 were approved for issue by the board of directors on 26 August 2015.

These condensed consolidated financial statements contains selected explanatory notes primarily an explanation of the events and changes that are significant to an understanding of the changes in financial position and performance of the Group since the end of the last annual reporting period and do not include all information and disclosures required in the annual financial statements.

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

In the current period, the Group has applied the new standards, amendments and interpretations (the "**new HKFRSs**") which are effective for the Group's financial statements for the annual period beginning on 1 January 2015. HKFRSs include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The application of these new HKFRSs has had no impact on the disclosures or on the amounts recognised in the Group's condensed consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in compliance with HKAS 34, Interim Financial Reporting issued by the HKICPA and with the applicable requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. The accounting policies and methods of computation that have been used in the preparation of these condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the adoption of new HKFRSs.

## 4. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major service lines as follows:

(a) trading business – trading of chemical products and energy and minerals products;

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

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

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

No operating segments identified have been aggregated in arriving at the reportable segments of the Group. Each of these operating segments is managed separately as each of the service lines requires different resources as well as marketing approaches.

| | Trading business HK$'000 | Securities brokerage and financial services HK$'000 | Asset management services HK$'000 | Proprietary trading HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Six months ended 30 June 2015 (Unaudited)** | | | | | |
| **Revenue** | | | | | |
| From external customers | 234,191 | 19,625 | 16,279 | – | 270,095 |
| From other segments | – | 54 | – | – | 54 |
| **Reportable segment revenue** | 234,191 | 19,679 | 16,279 | – | 270,149 |
| **Reportable segment result** | 4,271 | 3,421 | 2,712 | 17,285 | 27,689 |
| **30 June 2015 (Unaudited)** | | | | | |
| **Reportable segment assets** | 352,297 | 277,768 | 9,058 | 189,854 | 828,977 |
| **Reportable segment liabilities** | 345,306 | 214,430 | 5,231 | 63,653 | 628,620 |

| | Trading business HK$'000 | Securities brokerage and financial services HK$'000 | Asset management services HK$'000 | Proprietary trading HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Six months ended 30 June 2014[#] (Unaudited)** | | | | | |
| **Revenue** | | | | | |
| From external customers | 187,013 | 2,222 | 1,053 | – | 190,288 |
| From other segments | – | 27 | – | – | 27 |
| **Reportable segment revenue** | 187,013 | 2,249 | 1,053 | – | 190,315 |
| **Reportable segment result** | (886) | (4,816) | (4,028) | (2,294) | (12,024) |
| **31 December 2014 (Audited)** | | | | | |
| **Reportable segment assets** | 156,601 | 84,393 | 1,207 | 93,643 | 335,844 |
| **Reportable segment liabilities** | 154,930 | 20,312 | 1,082 | 97 | 176,421 |

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

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

The totals presented for the Group's operating segment result is reconciled to the Group's profit/(loss) before income tax as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014# |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Reportable segment result | **27,689** | (12,024) |
| Changes in fair value of derivative financial instruments | **(1,784)** | 350 |
| Other income | **12** | 1 |
| Equity-settled share-based payment expense | **–** | (11,795) |
| Finance costs | **(12,083)** | (431) |
| Share of results of associates | **(3,560)** | – |
| Corporate expenses | **(8,370)** | (10,004) |
| Profit/(Loss) before income tax | **1,904** | (33,093) |

# In June 2014, the Group had commenced the proprietary trading business but it was not identified as one of operating segments for the purpose of the condensed consolidated financial statements because its operating results were not regularly reviewed by the executive directors for the six months ended 30 June 2014. Due to a change in the business focus, the proprietary trading business was regarded as one of the reportable segment in the current period with certain comparative information being restated.

## 5. PROFIT/(LOSS) BEFORE INCOME TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Profit/(Loss) before income tax is arrived at after charging: | | |
| Staff costs, including directors' emoluments | | |
| – Fees, salaries, allowances and bonuses | **52,080** | 16,636 |
| – Equity-settled share-based payment expense | **–** | 4,217 |
| – Retirement benefit scheme contributions | **277** | 594 |
| | **52,357** | 21,447 |

## 6. INCOME TAX EXPENSE/(CREDIT)

For the six months ended 30 June 2015, Hong Kong Profits Tax was provided at the rate of 16.5% on the estimated assessable profits for the period. For the six months ended 30 June 2014, no provision for Hong Kong Profits Tax has been made as the Group did not derive any assessable profits in Hong Kong for that period.

For the six months ended 30 June 2015 and 2014, no provision for Corporate Income Tax of the People's Republic of China ("**PRC**") has been made as the Group did not derive any assessable profits in the PRC for the respective periods.

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| **Current tax** | | |
| Hong Kong Profits Tax | | |
| – Provision for current period | **1,020** | – |
| – Over provision in respect of prior periods | **–** | (11) |
| Total income tax expense/(credit) | **1,020** | (11) |

## 7. DIVIDENDS

No dividend was proposed or paid during the six months ended 30 June 2015 and 2014, nor has any dividend been proposed since the end of the reporting periods.

## 8. EARNINGS/(LOSS) PER SHARE

**Basic earnings/(loss) per share**

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK$888,000 (2014: loss of approximately HK$33,892,000) and the weighted average number of 3,474,315,042 (2014: 3,225,457,866**) ordinary shares in issue during the period.

**Diluted loss per share**

The calculation of diluted loss per share is based on the loss attributable to owners of the Company of approximately HK$3,621,000 (2014: loss of approximately HK$33,892,000) and the weighted average number of 3,474,315,042 (2014: 3,225,457,866**) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares for the period, calculated as follows:

*(a) Profit/(loss) attributable to owners of the Company*

| | **Six months ended 30 June** | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| For the purpose of basic earnings/(loss) per share | **888** | (33,892) |
| After tax effect of effective interest on the liability component of convertible bonds | **2,585** | – |
| After tax effect of fair value changes on derivative component of convertible bonds | **–** | – |
| Effect of earnings on conversion of convertible bonds issued by a subsidiary of the Company | **(7,094)** | – |
| For the purpose of diluted loss per share | **(3,621)** | (33,892) |

*(b) Weighted average number of ordinary shares*

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014** |
| | **Number of shares** | Number of shares |
| | **(Unaudited)** | (Unaudited) |
| For the purpose of basic earnings/(loss) per share | **3,474,315,042** | 3,225,457,866 |
| Effect of exercise of share options | **–** | – |
| Effect of conversion of convertible bonds issued by the Company | **–** | – |
| Effect of issue of contingent consideration shares | **–** | – |
| For the purpose of diluted loss per share | **3,474,315,042** | 3,225,457,866 |

*For the six months ended 30 June 2015*

On 16 June 2014, Sheng Yuan Financial Services Group Limited ("**SYFS**"), a wholly-owned subsidiary of the Company, issued convertible bonds with the principal amount of HK$45,000,000. Subject to attainment of certain profit conditions, these convertible bonds are convertible into ordinary shares of SYFS at a conversion price of HK$10,000, at the option of the holders of the convertible bonds, which created a potential dilutive effect to the basic earnings per share. In the calculation of the diluted loss per share, these convertible bonds are assumed to have been converted into ordinary shares of SYFS.

On 5 November 2014 and 19 December 2014, the Company issued convertible bonds with aggregate principal amount of HK$135,000,000. The computation of diluted loss per share does not assume the conversion of these convertible bonds as it would result in a decrease in diluted loss per share.

The Company has outstanding share options, which were granted on 25 August 2011, 24 July 2013, 19 June 2014 and 20 June 2014 with exercise price (adjusted after share-subdivision) of HK$0.280, HK$0.183, HK$0.250 and HK$0.245 respectively. The computation of diluted loss per share does not assume an exercise of those share options because it would result in a decrease in diluted loss per share.

The computation also does not assume the issue of the Company's contingent consideration shares of 556,585,714 (after share-subdivision) in aggregate as the relevant profit target as set out in the agreement entered into on 11 September 2014 has not been satisfied at the end of the reporting period.

*For the six months ended 30 June 2014*

Diluted loss per share for the six months ended 30 June 2014 is the same as basic loss per share as the computation of diluted loss per share does not assume the exercise of share options and conversion of convertible bonds issued by SYFS, since it would result in a decrease in loss per share.

** Pursuant to a special resolution passed on 29 December 2014, each issued and unissued ordinary share of the Company with a par value of HK$0.10 each in the share capital of the Company was subdivided into two issued and unissued ordinary shares of the Company with a par value of HK$0.05 each with effect from 30 December 2014. The weighted average number of ordinary shares for the purposes of basic and diluted loss per share for the six months ended 30 June 2014 has accordingly been adjusted to reflect the effect of share-subdivision, as if the share-subdivision had occurred on 1 January 2014.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired property, plant and equipment with a cost of approximately HK$80,000 (six months ended 30 June 2014: HK$53,000). Property, plant and equipment with net carrying amount of approximately HK$3,000 (six months ended 30 June 2014: Nil) were disposed of during the six months ended 30 June 2015.

## 10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Trade receivables | **431,029** | 244,526 |
| Other receivables and prepayments | **5,782** | 5,420 |
| Amount due from an associate | **–** | 6 |
| | **436,811** | 249,952 |

The analysis of trade receivables is as follows:

| | **30 June 2015** *HK$'000* **(Unaudited)** | 31 December 2014 *HK$'000* (Audited) |
|---|---|---|
| Arising from the business of dealing in securities | | |
| – Hong Kong Securities Company Limited ("**HKSCC**") | **–** | 4,302 |
| – Cash clients | **8,272** | 27 |
| – Margin clients | **9,422** | 9,573 |
| Arising from advisory service | **279** | 1,250 |
| Arising from asset management service | **8,576** | 920 |
| Arising from underwriting and placing services | **52,402** | 52,402 |
| Arising from proprietary trading | **–** | 19,793 |
| Arising from trading business | **352,078** | 156,259 |
| | **431,029** | 244,526 |

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

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

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

The general credit periods granted to the customers of trading business are 180 to 365 days (31 December 2014: 180 to 365 days).

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

| | **30 June 2015** *HK$'000* **(Unaudited)** | 31 December 2014 *HK$'000* (Audited) |
|---|---|---|
| Not yet past due | **352,078** | 156,259 |
| 0-30 days | **11,483** | 78,433 |
| 31-60 days | **2,841** | 261 |
| 61-90 days | **2,663** | – |
| 91-180 days | **140** | – |
| 181-365 days | **52,402** | – |
| | **421,607** | 234,953 |

## 11. HELD FOR TRADING INVESTMENTS

| | **30 June 2015** *HK$'000* **(Unaudited)** | 31 December 2014 *HK$'000* (Audited) |
|---|---|---|
| Listed investments | | |
| – Equity securities listed in Hong Kong | **40,857** | 49,435 |
| – Equity securities listed in overseas | **1,275** | 2,217 |
| | **42,132** | 51,652 |
| Unlisted investments | | |
| – Investments funds | **146,091** | 20,306 |
| | **188,223** | 71,958 |

Equity securities of HK$30,330,000 as at 31 December 2014 were placed under the margin account maintained with a securities broker and were pledged for margin finance facilities provided. None of the equity securities as at 30 June 2015 are pledged to the securities broker or any third parties.

Pursuant to the subscription agreements, the Group's interests in the above investment funds are in the form of participating shares. These investment funds are managed by the respective investment managers who are empowered to manage their daily operations and the Group have no rights to appoint any directors to these investment funds. The Group had served as an investment manager for certain of these investment funds and generated fees from managing assets on behalf of investors and is terminable by the independent board of directors without a cause. The Group therefore does not consolidate the above investment funds in which it holds an interest.

## 12. TRADE AND OTHER PAYABLES AND ACCRUALS

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Trade payables | **209,007** | 18,395 |
| Payables of net assets attributable to other holders of redeemable shares of an consolidated investment fund | **27,163** | – |
| Other payables and accruals | **48,286** | 3,976 |
| Amount due to an associate | **320** | 346 |
| | **284,776** | 22,717 |

The analysis of trade payables is as follows:

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Arising from the business of dealing in securities | | |
| – HKSCC | **7,151** | – |
| – Cash clients | **201,553** | 17,358 |
| – Margin clients | **303** | 1,037 |
| | **209,007** | 18,395 |

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

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

## INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND FINANCIAL REVIEW

For the six months ended 30 June 2015 (the "**Interim Period**"), revenue of the Group substantially increased to approximately HK$270.1 million, as compared with approximately HK$190.3 million for the six months ended 30 June 2014 (the "**Comparable Period**"), which was largely attributable to an increase in revenue generated from the trading business, securities brokerage and financial services and asset management during the Interim Period. Profit for the Interim Period was approximately HK$0.9 million, as compared with loss of approximately HK$33.9 million of the Comparable Period. The decrease in loss as compared with the Comparable Period was mainly attributable to the net profit contributed by securities brokerage, placing, proprietary trading business and asset management services of approximately HK$15.8 million.

During the Interim Period, in the light of quantitative easing policy and improved enterprise fundamentals in PRC, the Hong Kong stock market has been in active trading. The new round of financial reform in China has also boosted the investors' confidence towards the economy. Optimistic market sentiment encouraged more listed companies to conduct fund raising activities, which has stimulated the strong market demand for financial services.

During the Interim Period, the total revenue of Sheng Yuan Financial Services Group Limited and its subsidiaries ("**SYFS Group**") increased by 987.9% to approximately HK$35.9 million (Comparable Period: HK$3.3 million).

For securities business, the revenue from securities brokerage and financial services during the Interim Period increased to approximately HK$19.6 million as compared with approximately HK$2.2 million for the Comparable Period. Such increase in revenue was mainly due to the fact that Sheng Yuan Securities Limited ("**SYSL**") acted as the placing agent and completed placement transactions of various Hong Kong-listed companies. Subsequent to the end of the Interim Period, approximately HK$120.0 million related to the commission and underwriting fee for the public offering of the shares of Shengjing Bank was received.

For asset management business, Sheng Yuan Asset Management Limited ("**SYAM**") acts as funds manager or investment adviser for six funds. The total assets under management of SYAM exceeded HK$2.2 billion as at 30 June 2015. During the Interim Period, SYAM recorded segment revenue of approximately HK$16.3 million (Comparable Period: approximately HK$1.1 million).

In order to provide a new stream of income for its financial business, the Group expanded the proprietary trading business during the Interim Period and mainly invested in listed shares in Hong Kong market and private fund. The segment gain from proprietary trading business for the Interim Period was approximately HK$17.3 million (Comparable Period: segment loss of HK$2.3 million).

During the Interim Period, trading business recorded a stable growth in its revenue, increasing to HK$234.2 million, compared with HK$187.0 million for the same period of last year, mainly due to the enhancement of trading business of resource products which generate income. However, the global commodities was seriously hit this year, with a successive plunge in oil price as well as a significant fall in the price of energy and metal minerals, which created huge sales of those products but at a small gross profit margin. As such, the trading business recorded a segment gain of approximately HK$4.3 million during the Interim Period (Comparable Period: segment loss of HK$0.9 million).

## PROSPECTS

With the accelerated financial and economic reform in the Greater China Region, Hong Kong is increasingly important as an international financial center connecting both China and other parts of the world. However, the prospect of the second half of the year is uncertain due to the volatile stock market and fluctuating exchange rates.

Facing this uncertain environment, SYSF Group closely monitored the market changes and actively adjusted its operation strategies with a view to enhance its risk resilience. Apart from its traditional brokerage business, SYSL will further develop their intermediary businesses such as placement of private notes, bonds and funds, as well as shares to deliver steady profit growth. For asset management business, SYAM stepped up its efforts in funds management and customised discretionary investment services and expanded its customer base, at the same time keeping abreast of the market trends. This can not only generate handsome returns for the investors, but will also increase the business income of the Company from a relatively stable source. For proprietary trading, the Group plans to step up the investment in fixed income products to diversify risks arising from the fluctuation in secondary market.

Given the rigid and complicated procedures of traditional bank borrowings, non-bank licensed lenders became a favourable option for potential borrowers to obtain efficient and flexible liquidity solutions. Having ensured that the risks are under control, Sheng Yuan Finance Limited timely launched this new business in the first half of the year to cater customers' needs for borrowing services.

To accommodate the growing professional investor market, the Group is establishing a more comprehensive financial platform and be well-prepared to steadily promote the stable growth of the financial group's business in the second half of the year.

Looking forward, the Group will continue the operation of its resources-related trading business, endeavour to exploring potential for business growth as well as expand and enhance the business operation of its trading business to create more opportunities for the Group.

## ACQUISITIONS AND DISPOSALS

There was no material acquisition or disposal during the Interim Period.

## LIQUIDITY AND FINANCIAL RESOURCES

As at the end of the Interim Period, cash and bank balances in general accounts and maintained by the Group were approximately HK$76.6 million, as compared with approximately HK$94.5 million as at 31 December 2014. Balances in trust and segregated accounts were approximately HK$200.2 million (31 December 2014: approximately HK$10.5 million). Trade and other receivables and prepayments have increased from approximately HK$249.9 million as at 31 December 2014 to approximately HK$436.8 million, which was due to increase in trade receivable for trading business. Due to expansion of proprietary trading business, held for trading investments has increased to approximately HK$188.2 million (31 December 2014: HK$71.9 million). Trade and other payables and accruals have increased from approximately HK$22.7 million as at 31 December 2014 to approximately HK$284.8 million as at 30 June 2015, which was largely attributable to increase in the trade payable from securities brokerage. At the end of the Interim Period, the Group had an outstanding borrowings at HK$345.3 million (31 December 2014: HK$154.9 million), which was recorded in the Group's current liabilities and corresponding to the increase in trade receivable of trading business.

The Group's current assets and current liabilities as at the end of the Interim Period were approximately HK$902.0 million (31 December 2014: HK$427.7 million) and approximately HK$636.4 million (31 December 2014: HK$180.3 million) respectively. The gearing of the Group, measured as total debts to total assets, remained healthy at approximately 49.1% as at the end of the Interim Period (31 December 2014: 54.7%). At the end of the Interim Period, the Group recorded net assets of approximately HK$217.8 million as compared with approximately HK$214.2 million as at 31 December 2014. During the Interim Period, the Group financed its operation with internally generated cash flow and funds from the proceeds from subscription of Convertible Bonds.

## CAPITAL RAISING AND USE OF PROCEEDS

### Issue of SYFS Convertible Bonds

In June 2014, Sheng Yuan Financial Services Group Limited ("**SYFS**") has issued convertible bonds ("**SYFS Convertible Bonds**") at the aggregate amount of HK$45 million to several subscribers. Details of the SYFS Convertible Bonds are set out in the circular of the Company dated 16 May 2014.

The gross proceeds from the issuance of SYFS Convertible Bonds were approximately HK$45 million, which was intended to be applied as the general working capital of the SYFS Group. The actual gross proceeds arising from the issuance of SYFS Convertible Bonds were applied in the following manner:

- approximately HK$32 million for the operations of proprietary trading business of SYFS Group;
- approximately HK$9 million for staff costs of SYFS Group; and
- approximately HK$4 million for rental and operating costs of SYFS Group.

### Issue of SYHL Bonds

On 19 November 2014 and 30 December 2014, the Company issued convertible bonds ("**SYHL Bonds**") with aggregate principal amount of HK$135,000,000, to five individual subscribers. Details of the SYHL Bonds are set out in the announcements of the Company dated 5 November 2014 and 19 December 2014 respectively.

The net proceeds of the issue of the SYHL Bonds, after deduction of expenses, were approximately HK$134.7 million. It was intended that the Company should use at least HK$100,000,000 out of the net proceeds from the issue of the SYHL Bonds as investment capital or general working capital of the Company for business development of the SYFS Group and the remaining net proceeds as general working capital for the Group. The actual net proceeds arising from the issuance of SYHL Bonds were applied in the following manner:

- approximately HK$80 million for money lender business;
- approximately HK$20 million for the operations of proprietary trading business of SYFS Group;
- approximately HK$15 million for staff costs of the Group;
- approximately HK$12.7 million for rental and operating costs of the Group;
- approximately HK$5 million for loan to margin clients for Securities brokerage business; and
- approximately HK$2 million for payment deposit for purchase of goods for trading business.

## FOREIGN EXCHANGE EXPOSURE

The Group's transactions are mainly denominated in Hong Kong dollars, United States dollars ("**USD**"), and Renminbi ("**RMB**"). During the Interim Period, the Group used foreign exchange forward contracts to manage the Group's currency exposure in relation to foreign currency receivables. As of 30 June 2015, the Group held outstanding commitments to sell RMB for USD under foreign exchange forward contracts of approximately US$15.2 million.

## CAPITAL STRUCTURE

During the Interim Period, 14,000,000 shares of the Company were issued by exercise of share options.

## CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any material contingent liabilities.

## PLEDGE OF ASSETS

As at 30 June 2015, the obligations under finance leases of approximately HK$13,000 were pledged by the assets with carrying amount of HK$60,000.

As at 30 June 2015, the collateralised borrowings at the amount of HK$345.3 million mainly represented the amount of financing obtained from factoring the Group's bills receivables amounting to HK$352.1 million.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group employed some 60 employees. The remuneration policy and package of the Group's employees are maintained at market level and are reviewed annually by management. In addition to basic salary, discretionary bonuses, mandatory pension fund and medical insurance scheme, share options may also be granted to eligible employees at the discretion of the Board and are subject to the performance of the individual employees as well as the Group.

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

During the Interim Period, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## CORPORATE GOVERNANCE

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

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

Under the Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Xu Guocai, a non-executive Director who resigned with effect from 8 June 2015, was unable to attend the annual general meeting and the special general meeting of the Company both held on 22 May 2015 as he had other business commitments.

Following the retirement of Mr. Qi Wenju, a former independent non-executive Director, on 22 May 2015, the number of independent non-executive Directors of the Board fell below the minimum number of independent non-executive Directors required under Rule 3.10(1) of the Listing Rules. There was also a vacancy for the chairman of the nomination committee of the Company and the Company no longer fulfilled the requirements on minimum number of independent non-executive directors for the formation of audit committee stipulated under Rule 3.21 of the Listing Rules. Following the appointment of Dr. Huan Guocang as an independent non-executive Director, chairman of the nomination committee and members of the audit committee and remuneration committee of the Company on 8 June 2015, the Company has met the requirements under Rules 3.10(1) and 3.21 of the Listing Rules.

## AUDIT COMMITTEE

The audit committee of the Company currently comprises Mr. Lo Ka Wai (Chairman), Dr. Huan Guocang and Mr. Wu Fred Fong, all of whom are independent non-executive Directors with appropriate professional qualifications and experience in financial matters. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters. The interim results and the unaudited financial statements for the six months ended 30 June 2015 have been reviewed by the audit committee.

## REMUNERATION COMMITTEE

The remuneration committee of the Company is responsible for making recommendations to the Board on the Company's policy and packages of employment for the Directors and senior management. It comprises three independent non-executive Directors. The present members are Mr. Wu Fred Fong (Chairman), Dr. Huan Guocang and Mr. Lo Ka Wai.

## NOMINATION COMMITTEE

The nomination committee of the Company is required, amongst other things, to review the structure, size and composition of the Board and make recommendations for changes as necessary, to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships, to assess the independence of independent non-executive Directors, and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer. It comprises three independent non-executive Directors. The present members are Dr. Huan Guocang (Chairman), Mr. Lo Ka Wai and Mr. Wu Fred Fong.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 Interim Period.

## PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Company (www.shengyuan.hk) and the Stock Exchange (www.hkexnews.hk). The interim report for the six months ended 30 June 2015 of the Company containing all information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the above websites in due course.

## BOARD OF DIRECTORS

As at the date of this report, the Board consists of Mr. Wu Siu Lam, William and Ms. Cheng Kit Sum, Clara (all being executive Directors), Dr. Huan Guocang, Mr. Lo Ka Wai and Mr. Wu Fred Fong (all being independent non-executive Directors).

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

Hong Kong, 26 August 2015