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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)

MAJOR TRANSACTION PROPOSED ACQUISITION OF A SECURITIES BROKERAGE AND FINANCIAL SERVICES COMPANY

THE ACQUISITION

On 17 January 2011 (after trading hours), the Vendor and the Purchaser entered into the Acquisition Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Sale Shares at a cash consideration of HK\$17,700,000. The Sale Shares represent the entire issued share capital of the Target as at the date of the Acquisition Agreement.

The Target is a licensed corporation under the SFO to engage in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities since 27 October 2010. To the best knowledge, information and belief of the Directors after making reasonable enquiries, up to the date of this announcement, the Target is not in commercial operation yet after obtaining the requisite licences for carrying on the business of securities brokerage and advisory services but has acquired the necessary trading infrastructure and has retained a team of professional personnel.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to, among other things, the approval of the Shareholders by way of poll.

Accordingly, the SGM will be held to consider and, if thought fit, pass the ordinary resolution to approve the Acquisition Agreement and the transactions contemplated thereunder. Front Riches Investments Limited (a company wholly owned by Mr. Hu), the controlling Shareholder holding 525,110,572 Shares (representing approximately 62.39% of the issued share capital of the Company) as at the date of this announcement, has informed the Company that it and its associates, on a voluntary basis, will not vote at the SGM to approve the Acquisition in order to avoid potential conflict of interests that may be perceived by the public by reason of the information as mentioned in the paragraph headed "Parties" under the section headed "The Acquisition Agreement" below.

A circular containing, among other things, details of the Acquisition Agreement, the accountants' report of the Target, the financial information of the Group, the notice of the SGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 9 February 2011.

The Acquisition Agreement is conditional on fulfilment of a number of conditions precedent as described herein, therefore it may or may not be capable of becoming unconditional for Completion. Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

THE ACQUISITION AGREEMENT

Date

17 January 2011 (after trading hours)

Parties

- (i) Purchaser: Sheng Yuan Financial Services Group Limited, an investment holding company incorporated in the BVI with limited liability and a wholly owned subsidiary of the Company
- (ii) Vendor: Global Strategy International Limited

The Vendor is an investment holding company incorporated in the BVI with limited liability and is a wholly owned subsidiary of KYHL, the issued shares of which are listed on the Main Board of the Stock Exchange with stock code 1215. KYHL and its subsidiaries are principally engaged in steel manufacturing and trading investment, heat energy supply and property investment.

As at the date of this announcement, (i) Mr. Hu (being the spouse of Ms. Lin Min (the Chairman of the Company and an executive Director) and (through Front Riches Investments Limited) is beneficially interested in approximately 62.39% of the issued share capital of the Company) and his father, Mr. Hu Jin Xing, are non-executive directors of KYHL, and Mr. Hu is also a director of certain subsidiaries of KYHL; (ii) Mr. Hu and his father hold an aggregate of 232,240,000 KYHL Options (conferring rights to subscribe for 232,240,000 shares in, representing approximately 2.43% of the existing issued share capital of, KYHL); and (iii) Mr. Hu is a holder of convertible notes issued by KYHL in the aggregate principal amount of HK\$230.1 million (conferring rights to convert into 1,300,000,000 shares in, representing

approximately 13.59% of the existing issued share capital of, KYHL at the current conversion price of HK\$0.177 per share). In addition, Mr. Yip Kar Hang, Raymond, an executive Director, is a director of the Target and certain subsidiaries of KYHL and a holder of 22,000,000 shares in KYHL, which together with the 50,000,000 KYHL Options (conferring rights to subscribe for 50,000,000 shares in KYHL) held by Mr. Yip, represent approximately 0.75% of the existing issued share capital of KYHL. Save for the aforesaid, to the best of the Directors' knowledge, information and belief after making reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Sale Shares.

The Sale Shares, being 20,000,000 ordinary shares of HK\$1.00 in the issued share capital of the Target, represent the entire issued share capital of the Target as at the date of the Acquisition Agreement. For further details of the Target, please refer to the paragraph headed "Information on the Target" in this announcement below.

Consideration

The consideration for the Sale Shares of HK\$17,700,000 shall be payable in cash by the Purchaser to the Vendor upon Completion.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor on normal commercial terms principally with reference to the unaudited net asset value of the Target as at 31 December 2010. The Consideration will be financed by the Group's internal resources, other borrowings and/or new capital to be raised by way of the proposed rights issue as set out in the section headed "Possible fund raising" in this announcement below.

Conditions precedent

Completion is conditional upon the fulfilment of the following conditions:

- (i) the passing by the Shareholders (other than those Shareholders who are required to abstain from voting under the Listing Rules, if applicable) at the special general meeting of the Company of resolutions approving the Acquisition Agreement and the transactions contemplated thereunder or, where appropriate, the issue of written approval by a Shareholder or a group of Shareholders in lieu of such special general meeting pursuant to and in compliance with the Listing Rules;
- (ii) the SFC having granted its approval for the Purchaser and its immediate and intermediate holding companies and the ultimate beneficial owner of such holding companies to become substantial shareholders (as such term is defined in schedule 1 to the SFO) of the Target; and
- (iii) all necessary approvals, consents, authorizations and licences in relation to the sale and purchase of the Sale Shares contemplated under the Acquisition Agreement having been obtained.

None of the conditions set out in above may be waived by the Vendor or the Purchaser. If any of the above conditions precedent have not been satisfied at or before 4:00 p.m. on 31 May 2011 or such later date as the parties to the Acquisition Agreement may agree in writing, the Acquisition Agreement shall cease and terminate, and neither party shall have any claim against the other for any costs or losses (save in respect of any antecedent breaches of the Acquisition Agreement).

Completion

Subject to fulfilment of the above conditions precedent, Completion shall take place on the third Business Day after the last outstanding condition precedent set out above has been fulfilled or such other date as may be agreed by the Purchaser and Vendor in writing.

Upon Completion, the Target will become a wholly owned subsidiary of the Company and will be renamed as Sheng Yuan Securities Limited. The results of the Target will be consolidated into the financial statements of the Group.

INFORMATION ON THE TARGET

The Target is a company incorporated in Hong Kong on 7 July 2010 and has been wholly and beneficially owned by the Vendor since incorporation. The Target is a licensed corporation under the SFO to engage in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities since 27 October 2010. To the best knowledge, information and belief of the Directors after making reasonable enquiries, up to the date of this announcement, the Target is not in commercial operation yet after obtaining the requisite licences for carrying on the business of securities brokerage and advisory services but has acquired the necessary trading infrastructure (including the order management and internet trading system, settlement logistics, network installation and other hardware fixings) and has retained a team of professional personnel for the provision and operation of the securities brokerage and advisory services.

According to the unaudited management accounts of the Target prepared under the Hong Kong Financial Reporting Standards, the unaudited net losses (before and after taxation) of the Target for the period from 7 July 2010 (being the date of incorporation) to 31 December 2010 were approximately HK\$2.3 million and HK\$2.3 million respectively while the unaudited net assets value of the Target as at 31 December 2010 was approximately HK\$17.7 million comprising mainly fixed asset of approximately HK\$4.9 million and bank and cash balances of approximately HK\$13.5 million.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the business of trading of electrical products and copper concentrate. The principal activities of the Group have extended to engage in the trading and procurement of electronic and telecommunication equipment since August 2010.

As stated in the interim report of the Company for the six months ended 31 October 2010, the management of the Group has been seeking ways to strengthen its business portfolio and exploring new business opportunities for the Group with a view to further broadening its business operation and income stream. According to the statistical information on the website of the Stocks Exchange, the total turnover value of the securities market, including equities,

equity warrants, derivatives warrants, callable bull/bear contracts, debt securities and unit trusts and mutual funds, of the Main Board of the Stock Exchange and Growth Enterprise Market of the Stock Exchange in Hong Kong for the past five years has been increased from HK\$4,520.4 billion in 2005 to HK\$17,210.1 billion in 2010, representing a compound annual growth rate of approximately 30.7% during the period and the average daily turnover has been increased from HK\$62,310 million in 2009 to HK\$69,117 million in 2010, representing an increase of approximately 11% over the year. The Board considers that, given Hong Kong's well-established status as the region's financial hub and the vibrant activities in the financial industry in Hong Kong in recent years, the financial services sector provides an attractive area into which the Group may develop.

In this connection, the Group has identified the Target and considered that the Acquisition is a good investment opportunity for the Group to step into the Hong Kong financial services sector in a bid to generate revenue for the Group. The Board considers that the Acquisition would save the Company the effort and process required for setting up a securities brokerage and financial services company at a reasonable cost. Moreover, taking into consideration of the established platform of the Target and the expected growth potential of the securities industry in Hong Kong, the Board considers the investment opportunity through the Acquisition is valuable and it would improve the Group's results and provide better return to the Shareholders in the absence of unforeseen circumstances. To complement this strategic move, the Group is also in the process of establishing its own asset management and investment advisory businesses. In the long run, the Group plans to provide a wide range of financial services so as to capture the business opportunities of the financial market in Hong Kong.

Having considered the above factors, the Board considers that the terms of the Acquisition including the Consideration are fair and reasonable and the Acquisition is in the interests of the Shareholders and the Company as a whole.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to, among other things, the approval of the Shareholders by way of poll.

Accordingly, the SGM will be held to consider and, if thought fit, pass the ordinary resolution to approve the Acquisition Agreement and the transactions contemplated thereunder. Front Riches Investments Limited (a company wholly owned by Mr. Hu), the controlling Shareholder holding 525,110,572 Shares (representing approximately 62.39% of the issued share capital of the Company) as at the date of this announcement, has informed the Company that it and its associates, on a voluntary basis, will not vote at the SGM to approve the Acquisition in order to avoid potential conflict of interests that may be perceived by the public by reason of the information as mentioned in the paragraph headed "Parties" under the section headed "The Acquisition Agreement" above.

A circular containing, among other things, details of the Acquisition Agreement, the accountants' report of the Target, the financial information of the Group, the notice of the SGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 9 February 2011.

POSSIBLE FUND RAISING

The Board also wishes to inform Shareholders that the Company intends to, subject to market conditions, raise further capital by way of rights issue to existing Shareholders to finance the Consideration and the development of the Group's financial services business. As at the date of this announcement, no arrangement or understanding or agreement whatsoever has been entered into by the Company and any parties in respect of any fund raising exercise by the Company. The Company will comply with the Listing Rules and issue an announcement in relation to any fund raising exercise as and when required under the Listing Rules.

The Acquisition Agreement is conditional on fulfilment of a number of conditions precedent as described herein, therefore it may or may not be capable of becoming unconditional for Completion. Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

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| “Acquisition” | the proposed acquisition of the Sale Shares by the Purchaser pursuant to the terms of the Acquisition Agreement |
| “Acquisition Agreement” | the conditional sale and purchase agreement dated 17 January 2011 entered into between the Purchaser and the Vendor in relation to the Acquisition |
| “associate(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Board” | the board of Directors |
| “Business Day” | a day (excluding Saturday, Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business |
| “BVI” | the British Virgin Islands |
| “Company” | Sheng Yuan Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange with stock code 851 |

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| “Completion” | completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement |
| “Consideration” | the cash consideration of HK\$17,700,000 payable for the Sale Shares under the Acquisition Agreement |
| “Director(s)” | director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “KYHL” | Kai Yuan Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange with stock code 1215 |
| “KYHL Options” | the share options granted by KYHL under its share option scheme with exercise prices ranging from HK\$0.205 to HK\$0.35 per share |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Mr. Hu” | Mr. Hu Yishi |
| “Purchaser” | Sheng Yuan Financial Services Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company |
| “Sale Shares” | 20,000,000 ordinary shares of HK\$1.00 in the share capital of the Target, representing the entire issued share capital thereof |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) |
| “SGM” | the special general meeting to be convened by the Company for the Shareholders to consider and, if though fit, to approve the Acquisition Agreement and the transactions contemplated thereunder |
| “Share(s)” | ordinary share(s) of HK\$0.10 each in the share capital of the Company |

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| “Shareholder(s)” | holder(s) of Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the meaning ascribed thereto under the Listing Rules |
| “Target” | Kai Yuan Securities Limited, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of KYHL |
| “Vendor” | Global Strategy International Limited, a company incorporated in the BVI and a wholly owned subsidiary of KYHL |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong |
| “%” or “per cent.” | percentage or per centum |

By Order of the Board
Sheng Yuan Holdings Limited
Yip Kar Hang, Raymond
Executive Director and Chief Executive Officer

Hong Kong, 17 January 2011

As at the date of this announcement, the Board comprises two executive Directors, namely, Ms. Lin Min and Mr. Yip Kar Hang, Raymond, and three independent non-executive Directors, namely, Mr. Chan Chi On, Derek, Mr. Cheung Kwok Keung and Mr. Lam Kam Tong.