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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**

#### **ISSUE OF CONVERTIBLE BONDS**

On 19 December 2014 (after trading hours), the Company entered into the Subscription Agreements with each of the Subscribers in relation to the issuance of the Convertible Bonds (which are the same series Convertible Bonds as the Huajun Convertible Bonds) of a total principal amount of HK\$35,000,000. Upon completion of the Subscription Agreements and taking into account of the subscription of the Huajun Convertible Bonds by Huajun Capital which has been completed on 19 November 2014, the Convertible Bonds in the aggregate principal amount sum of HK\$135,000,000 has been issued by the Company.

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\$135,000,000 of the Convertible Bonds is issued, a total of 192,857,142 Conversion Shares will be issued at an initial Conversion Price of HK\$0.70 per Share.

#### **LISTING RULES IMPLICATIONS**

By a resolution of the Shareholders passed at the annual general meeting of the Company held on 25 April 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 25 April 2014, i.e. 322,402,582 Shares. The General Mandate has been utilised for the grant of an option to subscribe for 70,000,000 Shares, details of which are set out in the Company's announcement dated 19 June 2014. Save for the grant of such option and the Huajun Conversion 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 109,545,440 Shares pursuant to the General Mandate. It is intended that the Conversion Shares will be allotted and issued under the General Mandate.

The Convertible Bonds and the Conversion Shares will be issued pursuant to authority conferred upon the Directors under the General Mandate granted on 25 April 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.**

Reference is made to the announcement of the Company dated 5 November 2014 in relation to the subscription of the Huajun Convertible Bonds by Huajun Capital and the announcement of the Company dated 19 November 2014 in relation to the completion of the subscription of the Huajun Convertible Bonds by Huajun Capital.

On 19 December 2014 (after trading hours), the Company entered into the Subscription Agreements with each of the Subscribers in relation to the issuance of the Convertible Bonds (which are the same series Convertible Bonds as the Huajun Convertible Bonds) of a total principal amount of HK\$35,000,000. Upon completion of the Subscription Agreements and taking into account of the subscription of the Huajun Convertible Bonds by Huajun Capital which has been completed on 19 November 2014, the Convertible Bonds in the aggregate principal amount sum of HK\$135,000,000 has been issued by the Company.

Details of the terms of the Subscription Agreements and the Convertible Bonds are summarized below.

#### **SUBSCRIPTION AGREEMENTS**

On 19 December 2014, the Company entered into the Subscription Agreements, on principally the same terms (except as disclosed below in this section), which each of the Subscribers.

##### **Covalue Subscription Agreement**

Date: 19 December 2014 (after trading hours)  
Issuer: the Company  
Subscriber: Covalue as a Subscriber  
Bond Consideration: HK\$10,000,000

##### **Most Eagle Subscription Agreement**

Date: 19 December 2014 (after trading hours)  
Issuer: the Company  
Subscriber: Most Eagle as a Subscriber  
Bond Consideration: HK\$10,000,000

##### **Mr. Gui Subscription Agreement**

Date: 19 December 2014 (after trading hours)  
Issuer: the Company  
Subscriber: Mr. Gui as a Subscriber  
Bond Consideration: HK\$5,000,000

## **Mr. Jia Subscription Agreement**

Date: 19 December 2014 (after trading hour)

Issuer: the Company

Subscriber: Mr. Jia as a Subscriber

Bond Consideration: HK\$10,000,000

### **Conditions Precedent**

Completion is conditional on:

- (a) the warranties under the Subscription Agreements 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 approval of the Board in relation to the transactions contemplated under the Subscription Agreements;
- (d) listing of, and permission to deal in, all of the Conversion Shares upon conversion of the Convertible Bonds 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 Subscribers and if required by the Stock Exchange for it to be fulfilled before Completion, such conditions being fulfilled or satisfied before Completion) and such listing and permission remaining in full force and effect and not subsequently being revoked;
- (e) 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
- (f) 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 Agreements.

In the event that all the Conditions Precedent shall have not been satisfied or waived in writing by the Subscribers on or before 31 December 2014, the Subscription Agreements 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 Subscribers, and neither the Company nor the Subscribers shall have or make any claim against the other in respect hereof save for liabilities for any antecedent breach.

The Subscribers 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 of the Subscription Agreements**

Subject to the fulfilment or waiver of the Conditions, Completion shall take place on the Completion Date at such place and time to be agreed in writing between the Company and the Subscribers. A Completion Date shall be in any event no later than 31 December 2014.

## **Termination of the Subscription Agreements**

If an effect or circumstance that carries a Material Adverse Effect occurs prior to the Completion, the Subscribers may, without liability to the Company, elect not to proceed to the 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 Subscription Agreements (save for the provisions relating to interpretation, announcement, confidentiality and notices, general provisions and governing law and jurisdiction) will lapse and become null and void and the Company and the Subscribers will be released from all obligations under the Subscription Agreements, save for liabilities for any antecedent breaches of the Subscription Agreements.

## **Undertakings:**

- (a) the Company shall use at least HK\$100,000,000 out of the net proceeds from the issue of the Convertible Bonds in the aggregate principal amount of not more than HK\$140,000,000 as investment capital or general working capital of the Company for business development of the Financial Subsidiary; and
- (b) the Company shall not provide any proceeds from the issue of the Convertible Bonds to the Financial Subsidiary for the Financial Subsidiary to redeem any existing convertible securities issued by the Financial Subsidiary (including but not limited to the convertible notes in the principal amount of HK\$45,000,000 issued to WisePublic Holdings Limited, Most Eagle, Covalue and Mr. Li Gang, as announced by the announcement of the Company dated 9 April 2014)

## **PRINCIPAL TERMS OF THE CONVERTIBLE BONDS**

Details of the Convertible Bonds are summarized below.

<b>Issuer:</b>	the Company
<b>Term:</b>	3 years
<b>Denomination:</b>	HK\$1,000,000 each
<b>Rate of Interest:</b>	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.

### *(i) First Interest Period*

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

*(ii) Second Interest Period*

- (a) If the Current Market Price on the Second Interest Payment Date (if the Second Interest Payment Date does not fall on a Trading Date, then the Trading Date immediately before the Second Interest Payment Date) does not exceed HK\$1.00 per Share (with corresponding adjustment if there was a prior Share subdivision or consolidation), then the Convertible Bonds shall bear interest at the Rate of Interest in respect of the Second Interest Period.
- (b) If the Current Market Price on the Second Interest Payment Date (if the Second Interest Payment Date does not fall on a Trading Date, then the Trading Date immediately before the Second Interest Payment Date) exceeds HK\$1.00 per Share (with corresponding adjustment if there was a prior Share subdivision or consolidation), then no interest shall accrue on the Convertible Bonds in respect of the Second Interest Period and the Company shall not be liable to pay any interest on the Convertible Bonds in respect of the Second Interest Period on the Second Interest Payment Date or any time thereafter, unless the Company exercises its early redemption right.
- (c) Whether any interest shall accrue on the Convertible Bonds for the First Interest Period shall not affect whether any interest shall accrue on the Convertible Bonds for the Second Interest Period.

*(iii) Third Interest Period*

- (a) If the Current Market Price on the Maturity Date (if the Maturity Date does not fall on a Trading Date, then the Trading Date immediately before the Maturity Date) does not exceed HK\$1.10 per Share (with corresponding adjustment if there was a prior Share subdivision or consolidation), then the Convertible Bonds shall bear interest at the Rate of Interest in respect of the Third Interest Period.
- (b) If the Current Market Price on the Maturity Date (if the Maturity Date does not fall on a Trading Date, then the Trading Date immediately before the Maturity Date) exceeds HK\$1.10 per Share (with corresponding adjustment if there was a prior Share subdivision or consolidation), then no interest shall accrue on the Convertible Bonds in respect of the Third Interest Period and the Company shall not be liable to pay any interest on the Convertible Bonds in respect of the Third Interest Period on the Maturity Date or any time thereafter.

- (c) Whether any interest shall accrue on the Convertible Bonds for the First Interest Period or the Second Interest Period shall not affect whether any interest shall accrue on the Convertible Bonds for the Third Interest Period.

**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 Subscription Agreements; and
- (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.
- (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:**

If the Current Market Price on the Second Interest Payment Date (if the Second Interest Payment Date does not fall on a Trading Date, then the Trading Date immediately before the Second Interest Payment Date) exceeds HK\$1.00 per Share (with corresponding adjustment if there was a prior Share subdivision or consolidation), the Company shall have the right 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 in respect of the Second Interest Period, by paying such aggregate amount to the Bondholder not later than three (3) Business Day after the Second Interest Payment 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 or converted 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\$0.70 per Share but will be subject to adjustments in the manner as described below.

The initial Conversion Price of HK\$0.70 represents:

- (i) a premium of approximately 40.0% to the closing price of HK\$0.500 per Share as quoted on the Stock Exchange on 19 December 2014, being the last Trading Day prior to the date of this announcement;
- (ii) a premium of approximately 39.2% to the average closing price of the Shares of approximately HK\$0.503 per Share as quoted on the Stock Exchange over the last five Trading Days up to and including date of the announcement; and
- (iii) a premium of approximately 41.1% to the average closing price of the Shares of approximately HK\$0.496 per Share as quoted on the Stock Exchange over the last ten Trading Days up to and including date of the announcement.

The Conversion Price was determined after arms' length negotiations between the Company and the Subscribers 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\$140,000,000 of the Convertible Bonds is issued, the Convertible Bonds will be converted into approximately 200,000,000 Shares, representing approximately 11.5% of the existing issued share capital of the Company and approximately 10.3% 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, capitalisation 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) there have been material changes to the senior management of the Company and the Financial Subsidiary;
- (iv) any of the shares of the Financial Subsidiary is mortgaged, charged, sold or assigned by the Company to any person(s) provided that an issue of new securities by the Financial Subsidiary shall not constitute any mortgage, charge, sale or assignment;



- (v) WisePublic Holdings Limited or Mr. Li Gang sells or assigns any shares of the Financial Subsidiary (converted from the existing convertible bonds issued by the Financial Subsidiary to it) to any person(s) apart from Ms. Zhang Xiao Mei, Mr. Wang Sheng Kun, Mr. Chen Bai Cao, Mr. Li Gang, and a company wholly owned and controlled by any of such four individuals provided that an issue of new securities by the Financial Subsidiary shall not constitute any sale or assignment;
- (vi) there has been any material breach of and non-compliance with any applicable law, regulation or Listing Rules by the Company and the Financial Subsidiary which will result in a Material Adverse Effect;
- (vii) the Shares cease to be listed on the Stock Exchange or a recognised 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 Financial Subsidiary; and (ii) the clearance of any announcement, circular or other documents pursuant to the Listing Rules or the Takeovers Code; or
- (viii) 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.

**Lock-Up Period:**

If a Bondholder exercises his Conversion Right within the First Interest Period, he shall not dispose of any of the Conversion Shares within one year commencing on the date on which the Conversion Shares are issued to the Bondholder, unless with the prior written consent of the Company.

If a Bondholder exercises his Conversion Right within the Second Interest Period (excluding the First Interest Payment Date and the Second Interest Payment Date), he shall not dispose of any of the Conversion Shares within three (3) calendar months commencing on the date on which the Conversion Shares are issued to the Bondholder, unless with the prior written consent of the Company.

**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.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Shares to be issued pursuant to the General Mandate upon the exercise of the conversion rights attached to the Convertible Bonds.

**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) So long as there are outstanding Convertible Bonds, the Company shall ensure that its debt-to-asset ratio shall not exceed 75%.
- (iv) (a) So long as there are outstanding Convertible Bonds, each Bondholder who is holding a Convertible Bond or Convertible Bonds of an aggregate principal amount of not less than HK\$100,000,000 shall have a pre-emptive right to purchase up to 1.5 times its pro-rata share of all equity securities that the Company may, from time to time, propose to issue or grant after the date of the Certificate at a price lower than the price of the Convertible Bonds (or the Conversion Price, as the case may be), for financing purpose.
- (b) If the Company proposes to issue any equity securities, it shall give each Bondholder written notice describing the equity securities and the price and other terms and conditions upon which the Company proposes to issue the same. Each Bondholder shall exercise its right to purchase its pro-rata share of the equity securities on the terms and conditions specified in the notice by giving written notice thereof to the Company.

**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 structure of the Company (i) as at the date of this announcement, and (ii) immediately after conversion in full of the Convertible Bonds issued to Huajun Capital and the Subscribers at the initial Conversion Price is as follows:

Name of shareholder	Number of Shares held immediately before the conversion in full of the Convertible Bonds	Percentage of shareholding immediately before conversion in full of the Convertible Bonds	Number of Shares immediately after conversion in full of the Convertible Bonds issued to Huajun Capital and the Subscribers	Percentage of shareholding immediately after conversion in full of the Convertible Bonds issued to Huajun Capital and the Subscribers
<b>Substantial Shareholders</b>				
Front Riches Investments Limited ( <i>Note 1</i> )	405,154,800	23.3	405,154,800	21.0
King Lion Group Limited ( <i>Note 2</i> )	305,500,000	17.6	305,500,000	15.8
Tse Dik Chi	200,000,000	11.5	200,000,000	10.4
<b>Subscribers</b>				
Huajun Capital	–	–	142,857,142	7.4
The Subscribers	–	–	50,000,000	2.6
<b>Public Shareholders</b>	825,226,478	47.6	825,226,478	42.8
Total	<u>1,735,881,278</u>	<u>100</u>	<u>1,928,738,420</u>	<u>100</u>

*Notes:*

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

## LISTING RULES IMPLICATIONS

By a resolution of the Shareholders passed at the annual general meeting of the Company held on 25 April 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 25 April 2014, i.e. 322,402,582 Shares. The General Mandate has been utilised for the grant of an option to subscribe for 70,000,000 Shares, details of which are set out in the Company's announcement dated 19 June 2014. Save for the grant of such option and the Huajun Conversion 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 109,545,440 Shares pursuant to the General Mandate. It is intended that the Conversion Shares will be allotted and issued under the General Mandate.

The Convertible Bonds and the Conversion Shares will be issued pursuant to authority conferred upon the Directors under the General Mandate granted on 25 April 2014.

## **USE OF PROCEEDS**

The estimated net proceeds of the issue of the Convertible Bonds, assuming an aggregate principal amount of HK\$135,000,000 of the Convertible Bonds is issued after completion of the Subscription Agreement and taking into account of the subscription of the Huajun Convertible Bond which has been completion on 19 November 2014, after deduction of expenses, are expected to amount to approximately HK\$134.7 million. It is intended that the Company shall use at least HK\$100,000,000 out of the net proceeds from the issue of the Convertible Bonds as investment capital or general working capital of the Company for business development of the Financial Subsidiary and the remaining net proceeds as general working capital for the Group.

Based on the net proceeds from the issue of the Convertible Bonds of HK\$134,700,000, the net subscription price per Conversion Share is approximately HK\$0.698.

## **REASONS FOR AND BENEFITS OF THE CONVERTIBLE BOND ISSUE**

The Directors consider raise funds by issuing the Convertible Bonds is justifiable considering the recent market conditions which represent an opportunity for the SYFS Group to enhance its working capital and strengthen its capital base and financial position for the possible future investments of the SYFS Group. The Directors also consider that the issue of the Convertible Bonds 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 Agreements, which were arrived at after arm's length negotiations between the Company and the Subscribers, 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 for the issue of the Huajun Convertible Bonds, there were no fund raising activities of the Company by way of issue of equity securities in the past 12 months.

## **INFORMATION ON THE SUBSCRIBERS**

### **Coalue**

Coalue is a company incorporate in Hong Kong and is principally engaged in investment holding.

### **Most Eagle**

Most Eagle is a company incorporated in the British Virgin Islands and is principally engaged in investment holding.

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 Coalue, Most Eagle, Mr. Gui and Mr. Jia is an Independent Third Party.

## INFORMATION ON THE COMPANY

The Company is an investment holding company. The Group, through the SYFS Group, is principally engaged in securities brokerage and financial services, and asset management services. Since April 2013, the Group commenced trial operations in the trading of chemical products in order to diversity its income stream.

**Shareholders and potential investors should note that the Completion is subject to fulfillment of the Conditions Precedent under the Subscription Agreements. 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 Consideration”	means the consideration payable by the Subscribers in relation to the Subscription of the Convertible Bonds under the respective Subscription Agreements
“Bondholder(s)”	means the person(s)/entity(ies) in whose name a Convertible Bond is registered in the Register of Bondholders
“Business Day(s)”	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 Agreements, 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 Agreements
“Completion Date”	means the date on which the Completion takes place, which shall be in any event no later than 31 December 2014
“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 Agreements
“Conditions Precedent”	means the conditions precedent set out in the Subscription Agreements

“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 Shares will be issued upon conversion
“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 2017 in the aggregate principal amount of not more than HK\$140,000,000 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 Agreements with the benefit of and subject to the Conditions
“Covalue”	means Covalue Commercial Development (HK) Co. Limited, a company incorporated under the laws of Hong Kong and is wholly controlled by Mr. Zhang Aihua
“Covalue Subscription Agreement”	means the subscription agreement entered into between the Company and Covalue on 19 December 2014 (after trading hours) in relation to the issue of the Convertible Bonds in the principal amount of HK\$10,000,000, as varied, amended, modified, varied or supplemented in writing by the parties thereto from time to time
“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
“Financial Subsidiary”	means Sheng Yuan Financial Services Group Limited, which is a wholly-owned subsidiary of the Company
“First Interest Payment Date”	means the date of the first anniversary of the Initial Issue Date
“First Interest Period”	means the 365-day interest period that commences on the Initial Issue Date and ends on the calendar date immediately before the First Interest Payment Date
“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 25 April 2014, by a resolution of the Shareholders passed at the annual general meeting of the Company held on 25 April 2014
“Group”	means the Company and its subsidiaries from time to time
“Hong Kong”	means Hong Kong Special Administrative Region of the PRC
“Huajun Capital”	Huajun Capital Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of New Island Development Holdings Limited, the Shares of which are listed on the Stock Exchange
“Huajun Convertible Bonds”	the Convertible Bonds in the principal amount of HK\$100,000,000 issued by the Company to Huajun Capital, as announced by the Company on 5 November 2014
“Huajun Conversion Shares”	means the Share(s) to be issued by the Company upon conversion of the Huajun Convertible Bonds
“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 Dates”	means the First Interest Payment Date, the Second Interest Payment Date and the Maturity Date, and each an Interest Payment Date
“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 Agreements, 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 calendar day immediately before the third anniversary date of the Initial Issue Date
“Most Eagle”	means Most Eagle Holdings Limited, a company incorporated under the laws of the British Virgin Island and is wholly controlled by Mr. Liu Kai Rui
“Most Eagle Subscription Agreement”	means the subscription agreement entered into between the Company and Most Eagle on 19 December 2014 (after trading hours) in relation to the issue of the Convertible Bonds in the principal amount of HK\$10,000,000, as varied, amended, modified, varied or supplemented in writing by the parties thereto from time to time
“Mr. Gui”	means Mr. Gui Bin, an Independent Third Party
“Mr. Gui Subscription Agreement”	means the subscription agreement entered into between the Company and Mr. Gui on 19 December 2014 (after trading hours) in relation to the issue of the Convertible Bonds in the principal amount of HK\$5,000,000, as varied, amended, modified, varied or supplemented in writing by the parties thereto from time to time
“Mr. Jia”	means Mr. Jia Bin, an Independent Third Party
“Mr. Jia Subscription Agreement”	means the subscription agreement entered into between the Company and Mr. Jia on 19 December 2014 (after trading hours) in relation to the issue of the Convertible Bonds in the principal amount of HK\$10,000,000, as varied, amended, modified, varied or supplemented in writing by the parties thereto from time to time
“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 maintained by the Company’s principal share registrar and transfer office in Bermuda
“Second Interest Payment Date”	means the date of the second anniversary of the Initial Issue Date
“Second Interest Period”	means the 365-day interest period that commences on the First Interest Payment Date and ends on the calendar date immediately before the Second Interest Payment Date
“Shares”	means the shares of HK\$0.10 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
“Subscribers”	means Calue, Most Eagle, Mr. Gui and Mr. Jia; and each a “Subscriber”
“SYFS Group”	means the Financial Subsidiary and its subsidiaries
“Subscription Agreements”	means the Coalue Subscription Agreement, Most Eagle Subscription Agreement, Mr. Gui Subscription Agreement and Mr. Jia Subscription Agreement
“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
“HK\$”	means Hong Kong Dollars, the lawful currency from time to time of Hong Kong

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

Hong Kong, 19 December 2014

*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 Kai Wai, Mr. Qi Wenju and Mr. Wu Fred Fong (all being independent non-executive Directors).*