THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sheng Yuan Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

盛源控股有限公司

SHENG YUAN HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 851)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

八方金融有限公司

OCTAL Capital Limited

A letter from the Board is set out on pages 5 to 15 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 16 to 17 of this circular. A letter from Octal Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 37 of this circular.

A notice convening the SGM to be held at Board Room, 1st Floor, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong at 9:30 a.m. on 19 December 2012, is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for the SGM for use by the Independent Shareholders is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit with the share registrars of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof (as the case may be) should you so wish.

3 December 2012

CONTENTS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Agreement"	the sale and purchase agreement dated 31 October 2012 entered into between the Company, the Purchaser and Mr. Hu in respect of the Disposal;
"associate(s)"	has the same meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"BVI"	the British Virgin Islands;
"Company"	Sheng Yuan Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange with stock code 851;
"Completion"	completion of the Disposal;
"connected person(s)"	has the meaning ascribed thereto under Rule 1.01 and as extended under Rule 14A.11 of the Listing Rules;
"Director(s)"	the director(s) of the Company;
"Disposal"	the disposal of the Sale Share and the Sale Loan pursuant to the Agreement;
"Disposal Group"	GCIL and its subsidiaries;
"GCIL"	Goodness Come Investments Limited, a company incorporated in the BVI with limited liability, which is a direct wholly owned subsidiary of the Company;
"Greater China Region"	the PRC, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"Group"	the Company and its subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;

"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Cheung Kwok Keung, Mr. Lam Kam Tong and Mr. Qi Wenju, established to provide recommendation to the Independent Shareholders on the terms of the Agreement;
"Independent Shareholders"	the Shareholders, other than Mr. Hu and his associates, who do not have any material interest in the transactions contemplated under the Agreement;
"Latest Practicable Date"	29 November 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Mr. Hu"	Mr. Hu Yishi, who is the spouse of Ms. Lin and (through his shareholding interest in Front Riches Investments Limited) the controlling Shareholder;
"Ms. Lin"	Ms. Lin Min, who is the spouse of Mr. Hu and the chairlady of the Company and an executive Director;
"Octal Capital" or "Independent Financial Adviser"	Octal Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Agreement;
"percentage ratios"	has the meaning ascribed to it under Chapter 14 of the Listing Rules;
"PRC"	the People's Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"Purchaser"	Morich International Investments Limited, a company incorporated in the BVI with limited liability;

"Remaining Group"	the Group other than the Disposal Group;
"Sale Loan"	the total amount of the Shareholder's Loan owing by GCIL to the Company upon Completion, which shall not be less than HK$49,463,907 upon Completion;
"Sale Share"	the one issued share in GCIL, representing the entire issued share capital of GCIL;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	the special general meeting of the Company to be held at Board Room, 1st Floor, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong at 9:30 a.m. on 19 December 2012 for the Independent Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder;
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"Shareholder's Loan"	the shareholder's loan due and owing by GCIL to the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Sun Profit (China)"	Sun Profit (China) Limited, a company incorporated in Hong Kong with limited liability, which is a direct wholly owned subsidiary of GCIL;
"Sun Profit Trade"	順盈貿易（上海）有限公司 (translated as Sun Profit Trade (Shanghai) Limited), a wholly foreign-owned enterprise established in the PRC, which is a direct wholly owned subsidiary of Sun Profit (China);
"SYAML"	Sheng Yuan Asset Management Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company, which is a licensed corporation under the SFO to carry on type 4 (advising on securities) and type 9 (asset management) regulated activities;

"SYSL"	Sheng Yuan Securities Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiaries of the Company, which is a licensed corporation under the SFO to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"US$"	United States dollars, the lawful currency of the United States of America;
"%"	per cent.

In this circular, US$ are converted into HK$ on the basis of US$1 = HK$7.78 for illustrative purposes.

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

Executive Directors:
Ms. Lin Min (*Chairlady*)
Mr. Yip Kar Hang, Raymond
Ms. Kwong Wai Man, Karina

Independent non-executive Directors:
Mr. Cheung Kwok Keung
Mr. Lam Kam Tong
Mr. Qi Wenju

Registered office:
Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

Principal place of business in Hong Kong:
Suites 4301–05, 43/F
Tower 1, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

3 December 2012

To the Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

INTRODUCTION

On 31 October 2012, after trading hours of the Stock Exchange, the Company, the Purchaser and Mr. Hu entered into the Agreement, pursuant to which the Company conditionally agreed to dispose of the Sale Share and the Sale Loan to the Purchaser and the Purchaser conditionally agreed to acquire the Sale Share and the Sale Loan from the Company. The consideration for the Sale Share is US$1 and the consideration for the Sale Loan shall be its face value on the date of Completion on a dollar-for-dollar basis payable in cash. The Sale Share represents the entire issued share capital of GCIL, and as at the Latest Practicable Date, the Shareholder's Loan amounted to HK$49,463,907.

The purpose of this circular is to provide you with, among other things, (i) further particulars of the Agreement and the Disposal; (ii) recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the letter from Octal Capital to the Independent Board Committee and the Independent Shareholders; (iv) the information as required under the Listing Rules; and (v) the notice convening the SGM.

THE AGREEMENT

Date: 31 October 2012

Parties: (1) Morich International Investments Limited, as purchaser

(2) the Company, as vendor

(3) Mr. Hu, as guarantor to guarantee all obligations and liabilities of the Purchaser under the Agreement

The Purchaser is an investment holding company. As the Purchaser is a company wholly owned by Mr. Hu, who is the ultimate controlling Shareholder and the spouse of the chairlady of the Company, the Purchaser is a connected person of the Company under the Listing Rules.

Subjects of the Disposal

The subjects of the Disposal comprise the disposal of the Sale Share and the Sale Loan.

The Sale Share represents the entire issued share capital of GCIL, which shall be sold to the Purchaser free from any encumbrances together with all rights attaching thereto as at the date of Completion. The Sale Loan represents the shareholder's loan owing by GCIL to the Company as at Completion, which is interest-free and repayable on-demand. As at the Latest Practicable Date, the Shareholder's Loan amounted to HK$49,463,907. It is expected that the amount of the Shareholder's Loan will remain unchanged at Completion.

GCIL is a direct wholly owned subsidiary of the Company. Its sole asset is its entire equity interest in Sun Profit (China) which in turn holds the entire paid-up capital of Sun Profit Trade. As at the Latest Practicable Date, approximately US$6 million of the registered capital of Sun Profit Trade was paid up, and pursuant to the Agreement, the remaining registered capital of approximately US$4 million shall be procured to be paid by the Purchaser in accordance with the terms of the Agreement.

Consideration

The consideration for the Sale Share is US$1, which shall be payable in cash by the Purchaser to the Company at Completion. The consideration for the Sale Loan shall be its face value on the date of Completion on a dollar-for-dollar basis which is payable in cash. Assuming there being no change to the amount of the Shareholder's Loan from the Latest Practicable Date to the date of Completion, the total consideration to be received by the Company for the Disposal would be approximately HK$49,463,915, which shall be payable by the Purchaser in the following manner:

(i) a refundable deposit in the amount of HK$20,000,000 (the "**Deposit**") shall be payable by the Purchaser to the Company in cash within three days after the signing of the Agreement. The Deposit has been paid as of the Latest Practicable Date; and

(ii) the remaining balance of the consideration shall be payable by the Purchaser to the Company in cash on Completion.

The Company has confirmed that the Sale Loan shall be not less than the amount of the Shareholder's Loan on the Latest Practicable Date. According to the terms of the Agreement, the amount of the Shareholder's Loan may be increased with the consent of the Purchaser. In such event, the total consideration payable for the Sale Loan shall equal to the amount of the Shareholder's Loan as at Completion.

The consideration of the Disposal was determined after arm's length negotiations between the Purchaser and the Company, in particular, with reference to (i) the unaudited consolidated net liabilities position of the Disposal Group in the amount of approximately HK$2.4 million as at 30 June 2012; and (ii) the face value of Shareholder's Loan, which amounted to HK$49,463,907 as at the date of the Agreement.

In the event any of the conditions precedent as set out below is not satisfied or Completion does not take place in accordance with the terms of the Agreement, the Company shall refund the Deposit (without interest) to the Purchaser within 20 business days after receiving a written demand from the Purchaser.

Conditions of the Agreement

The Disposal shall be conditional upon:

(i) the passing by the Independent Shareholders at the SGM approving the Agreement and the transactions contemplated thereunder;

(ii) all necessary approvals, consents, authorisations and licences in relation to the sale and purchase of the Sale Share and the Sale Loan contemplated under the Agreement having been obtained; and

(iii) the clearance by the relevant regulatory authority(ies) of the announcement to be published by the Company pursuant to the Listing Rules in relation to the transactions contemplated under the Agreement.

If the above conditions shall not have been fulfilled on or before 4:00 p.m. on 28 February 2013, all rights and obligations of the parties thereunder shall cease and terminate, and no party shall have any claim against the other for any costs or losses (save in respect of any antecedent breaches of the Agreement). None of the above conditions can be waived. As at the Latest Practicable Date, condition (iii) had been fulfilled.

Completion

Completion shall take place on the third business day following the date on which the above conditions have been fulfilled (or such later date as the parties to the Agreement may agree in writing).

Upon Completion, the Company will cease to hold any issued share capital in GCIL and GCIL will cease to be a subsidiary of the Group.

INFORMATION ON THE DISPOSAL GROUP

GCIL is a direct wholly owned subsidiary of the Company. As at the Latest Practicable Date, the sole asset of GCIL was the holding of the 100% issued share capital in Sun Profit (China) which in turn held the entire paid-up capital of Sun Profit Trade. Sun Profit Trade was established by the Group in August 2010 with an initial registered capital of US$3 million.

Sun Profit Trade is principally engaged in trading of telecommunication equipment (including network equipment such as routers and modems, as well as other electronic products) in the PRC. In May 2011, the registered capital of Sun Profit Trade was increased to US$10 million. As at the Latest Practicable Date, approximately US$6 million of the registered capital of Sun Profit Trade had been paid up, which was funded by the Company through the provision of the Shareholder's Loan. As stated in the paragraph headed "Subjects of the Disposal" above, pursuant to the Agreement, the remaining registered capital of approximately US$4 million shall be procured to be paid by the Purchaser in accordance with the terms of the Agreement.

The financial information of the Disposal Group, which was prepared under Hong Kong Financial Reporting Standards, is set out in Appendix II to this circular. The following is a summary on the consolidated financial information on the Disposal Group:

	For the year ended 30 April 2010	**For the year ended 30 April 2011**	**For the eight months ended 31 December 2011**	**For the six months ended 30 June 2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited) *(Note 1)*	(unaudited)
Turnover	–	32,211 *(Note 2)*	45,794	39,887
Net loss before taxation	(5)	(306)	(2,216)	(913)
Net loss after taxation	(5)	(306)	(2,216)	(913)

Notes:

(1) Following the change of the financial year end date from 30 April to 31 December as announced by the Company on 30 December 2011, the consolidated results of the Disposal Group for that year covered eight-month period ended 31 December 2011.

(2) For the year ended 30 April 2011, during the initial stage of its current business operation of Sun Profit Trade, GCIL had also engaged in the trading of certain electronic products for the Disposal Group and recorded a turnover of approximately HK$12.4 million for that year.

(3) Apart from the turnover generated from the trading of telecommunication equipment, the Disposal Group also recorded other income (being the rental income from its investment properties and interest income on bank deposits) of approximately HK$nil, HK$29,000, HK$372,000 and HK$299,000 for each of the two years ended 30 April 2010 and 2011, the eight months ended 31 December 2011 and the six months ended 30 June 2012 respectively.

As at 30 June 2012, (i) the Disposal Group recorded an unaudited net liabilities position of approximately HK$2.4 million; (ii) the non-current assets of the Disposal Group mainly comprised investment properties of approximately HK$11.4 million and property, plant and equipment of approximately HK$4.4 million, and its current assets included trade receivables of approximately HK$24.4 million, cash and bank balance of approximately HK$18.7 million and other receivables of approximately HK$4.7 million; and (iii) the liabilities of the Disposal Group comprised the Shareholder's Loan of approximately HK$49.5 million, accounts payable of approximately HK$16.1 million and other payable of approximately HK$0.3 million.

REASONS FOR THE DISPOSAL

The principal activities of the Group are the trading of telecommunication equipment, provision of securities brokerage and financial services and asset management services.

The trading of telecommunication equipment business of the Group is carried out by the Disposal Group through Sun Profit Trade. The products traded by the Disposal Group are mainly end-user network equipment such as routers and modems for telecommunication companies in the PRC purchased in bulk and are in turn often bundled with relevant data services to be provided to the end-users. For the past two years since the establishment of the operating companies under the Disposal Group in 2010, the turnover recorded by the Disposal Group has gradually increased from approximately HK$32.2 million for the year ended 30 April 2011, to approximately HK$45.8 million for the eight months ended 31 December 2011 and approximately HK$39.9 million for the six months ended 30 June 2012. The management of the Company has been diligently operating the trading of telecommunication equipment business in the PRC. Through their efforts, Sun Profit Trade has made to be awarded as an authorised dealer of certain of its telecommunication equipment and products and as a qualified supplier for certain telecommunication companies in the PRC. However, due to the relatively low margin nature of the business caused by a competitive business environment and the business having yet to reach sufficient scale, the Disposal Group has been suffering losses since its establishment and has recorded net loss before and after taxation of approximately HK$0.3 million for the year ended 30 April 2011, approximately HK$2.2 million for the eight months ended 31 December 2011 and approximately HK$0.9 million for the six months ended 30 June 2012.

On the other hand, in April 2011, the Group has moved into the financial services industry. Since then, the Group has been providing stock brokerage and securities advisory services to clients (which comprise both retail and professional investors) and it has commenced the provision of margin financing for clients in May 2011, which provides interest income to the Group and is also beneficial for attracting securities trading clients who require the added flexibility and leverage. Also, the Group has launched the asset management service arm in September 2011. For further details on the Remaining Group, please refer to the section headed "Business operation and prospects of the Remaining Group" below. The management of the Company considered it would be in the interest of the Company to dedicate more resources and focus on the development of financial services business of the Remaining Group.

Although the trading of telecommunication equipment business of the Disposal Group has been gradually improving since its inception, it remains a very competitive segment with low margins. The management of the Company estimates that a substantial amount of working capital would be required to support and further develop the business of the Disposal Group to reach economies of scale necessary for achieving a meaningful return for the Group, which would require significant further expansion of its business network and product roster, and undertake substantial marketing activities. Since the establishment of Sun Profit Trade and up to the date of the Agreement, the Company has invested a total of approximately HK$49.5 million in the Disposal Group through the provision of the Shareholder's Loan. Considering that (i) the Disposal Group has been loss making for the past two years and it recorded an unaudited net liabilities of approximately HK$2.4 million as at 30 June 2012; and (ii) the consideration for the Disposal, being US$1 for the Sale Share and the consideration of the Sale Loan will be the face value of the Shareholder's Loan upon Completion, which would be able to recover the investment cost of the Group in the Disposal Group, the Directors consider that it is an opportune time to dispose of the Disposal Group and thus allow the Group to have more flexibility for further investment in the financial services fields or for any other potential investment that would help diversify the business scope and expand the income source of the Group.

The Directors also consider that the terms, including the consideration, of the Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

BUSINESS OPERATION AND PROSPECTS OF THE REMAINING GROUP

Upon Completion, the Remaining Group will principally be engaged in the provision of financial services, which include securities brokerage, margin financing and asset management services. It will discontinue the trading of telecommunication equipment business upon Completion.

The Group has been engaging in the securities brokerage and financial services since April 2011 upon completion of the acquisition of SYSL. SYSL is a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities, which provides stock brokerage and securities advisory services to clients (which comprises both retail and professional investors), as well as an internet trading platform. SYSL generates turnover mainly from its securities business from brokerage commission received from its clients when the relevant securities transactions are executed. Securities brokerage clients of SYSL can place orders by phone or online. In May 2011, SYSL began providing margin financing for clients who would like to purchase securities with margin financing, through which securities financing income was generated. In August 2012, SYSL was further licensed to engage in type 2 (dealing in futures contracts) regulated activity, which has recently launched its futures contracts trading services and a new stream of commission income is anticipated. The margin financing business carried out by SYSL has been well received and the management of the Company also considers that it is beneficial for attracting securities trading clients who require the added flexibility and leverage. To cater for the funding demand for this margin financing business, SYSL has recently increased its share capital from its inception capital of HK$20 million to HK$65 million in February 2012. As at 30 June 2012, SYSL had a margin loan portfolio of approximately HK$37.7 million. Mr. Yip Kar Hang, Raymond, the Chief Executive Officer of the Company who is also a licensed responsible officer for SYSL to carry out its type 1 (dealing in securities) and type 4 (advising on securities) regulated activities, is responsible for the general management and overall business strategy of SYSL. SYSL's operations are further led by three other licensed responsible officers, who are respectively responsible for client management and day-to-day operations, sales and dealing securities, and sales in futures contracts trading of SYSL. All of them are experienced market practitioners and each of them has relevant industry experience of over 20 years. To complement the stock brokerage and securities advisory services, the Group has established its own asset management and investment advisory arm, SYAML, which was licensed to engage in type 4 (advising on securities) and type 9 (asset management) regulated activities in June 2011. Subsequently, in September 2011, the Group has launched Sheng Yuan China Growth Fund, an open-ended equity fund with focus in the Greater China Region. The key source of revenue of SYAML is management fee income. The operation of SYAML is principally led by two licensed responsible offers, each of whom has asset management experience of more than 20 years. Besides, the Group has established Sheng Yuan Capital (Hong Kong) Limited, which was licensed to engage in type 6 (advising on corporate finance) regulated activity in December 2011. During the past two years, the Group had established a concrete financial platform for development of its financial services businesses.

According to the information as extracted from Bloomberg, the average daily turnover value (the "**Average Daily Turnover Value**") of all securities listed on the Main Board of the Stock Exchange in Hong Kong in 2011 was approximately HK$69,473 million. For the first and second quarter of 2012, the Average Daily Turnover Value has decreased to approximately HK$63,010 million and HK$50,072 million respectively. As the share capital of SYSL was only increased to HK$65 million in February 2012 and unavoidably being affected by the relevantly weak market sentiment, the financial performance of the financial services businesses of the Group during the past few months was not very satisfactory. For the six months ended 30 June 2012, the revenue contributed by the financial services (including stock brokerage, margin financing and asset management services) of the Group was approximately HK$3.3 million and it recorded segment loss of approximately HK$4.6 million. The stock market sentiment continued to be sluggish in July and August 2012, with the Average Daily Turnover Value for each of these two months further decreasing to approximately HK$43,385 million and HK$43,718 million respectively, with a low in July 2012 of approximately HK$29,280 million. Until mid-September 2012, the United States Federal Reserve announced its decision to launch the third round of quantitative easing to bolster the economy. Although the global economy might continue to be unstable, the management of the Company believes that, with the implementation of the third round quantitative easing measures, the overall stock market in Hong Kong could be stimulated which in turn, would benefit the development of the stock brokerage and margin financing businesses of the Group. For the period from 14 September 2012 (being the trading day immediately after the announcement of the launch of the third round quantitative measures) to the Latest Practicable Date, the Average Daily Turnover Value had increased to approximately HK$52,880 million. As stated in the interim report of the Company for the six months ended 30 June 2012, despite the overall economy was still unstable and timing of a significant recovery was yet certain, the Group would continue to enhance operations and performance of the securities brokerage business. The Remaining Group, including SYSL and SYAML, has more than 40 staff, serving the operations of the business units of the Remaining Group, as well as the support departments including finance, compliance, information technology and human resources and administration and etc. In the long run, the Group plans to provide a wide range of financial services with stock brokerage and margin financing as its core so as to capture the business opportunities of the financial market in Hong Kong. With the launch of the futures contracts trading business and the increase in capital assuming completion of the Disposal, trading activities in futures contracts and securities of SYSL are expected to increase, which will lead to increased commission income and financing income. Scale of margin financing shall also be expanded as and when capital permits to increase financing income and to encourage increased clients' trading turnover via providing added flexibility and leverage of margin financing. Also, looking forward, SYSL plans to provide financing for applications of shares in connection with initial public offerings and will develop its capability of participating in or undertaking small to medium scale of securities placement. SYAML, the Group's asset management arm, shall seek to achieve growth via the recruitment of further investment into the Sheng Yuan China Growth Fund and enlarging its client base for discretionary portfolio management services in the future should suitable opportunities arise. Based on the aforesaid, the Directors consider that the Remaining Group would continue to have sufficient level of operations to warrant the continued listing of the Shares as required under Rule 13.24 of the Listing Rules upon Completion.

PROPOSED USE OF PROCEEDS

The net proceeds from the Disposal (net of expenses) is estimated to be approximately HK$47.1 million, assuming there being no change to the amount of the Shareholder's Loan from the date of the Agreement to the date of Completion. It is intended that, out of the net proceeds of the Disposal, (i) approximately HK$25 million will be used for the development and operation of the securities and margin financing businesses of the Group; (ii) approximately HK$10 million will be reserved for investment in new business propositions should suitable opportunities arise; and (iii) approximately HK$12.1 million will be used for general working capital of the Remaining Group. As at the Latest Practicable Date, the Company had not identified any acquisition or investment target and no agreement, understanding or arrangement has been entered into in relation to any new business propositions. As at the Latest Practicable Date, the Board did not have any intention, negotiation or arrangement as regards the acquisition of any new business and assets. The Company will comply with the Listing Rules as and when required if any acquisition or investment target is identified for its new business propositions.

FINANCIAL EFFECT OF THE DISPOSAL

Based on the unaudited net liabilities of the Disposal Group as at 30 June 2012, the Group expects that it would realise a gain on the disposal of approximately HK$1.1 million, which is calculated based on net consideration for disposing the Sale Share and the Sale Loan of approximately HK$47.1 million in aggregate (after netting off the estimated direct expenses in relation to the Disposal) and after deducting the net liabilities of the Disposal Group of approximately HK$2.4 million and the amount of the Sale Loan of approximately HK$49.5 million, and the realisation of foreign exchange reserve upon the Disposal of approximately HK$1.1 million. Shareholders should note that the actual gain or loss from the Disposal to be recorded by the Company will depend on the financial position of the Disposal Group and the actual amount of the Sale Loan as at the date of Completion.

According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular: (i) the Group's total assets would decrease from approximately HK$145.8 million to approximately HK$129.5 million and its total liabilities would decrease from approximately HK$19.7 million to approximately HK$3.3 million, assuming the Disposal had been completed on 30 June 2012; and (ii) the Group's performance for the six months ended 30 June 2012 would improve from a loss of approximately HK$26.9 million to a loss of approximately HK$25.8 million, which is mainly attributable to (a) the inclusion of estimated gain of approximately HK$0.2 million arising from the Disposal, after deducting expenses incidental to the Disposal; and (b) the exclusion of a loss of the Disposal Group for the six months ended 30 June 2012 of approximately HK$0.9 million, assuming the Disposal had been completed on 1 January 2012.

As at 30 June 2012, the bank balances and cash of the Group amounted to approximately HK$50.0 million, of which approximately HK$18.7 million was attributable by the Disposal Group, approximately HK$17.6 million represented the capital designated and reserved for the operation of the Group's subsidiaries which carry out the regulated activities under the SFO, and the remaining HK$13.7 million was the general working capital of the Group. Given the principal businesses of the Remaining Group upon Completion are securities brokerage and financial services and asset management services and the net proceeds from the Disposal has identified use by the Remaining Group mainly for its operations of securities brokerage and financial services, the Directors consider that the Remaining Group would not become a cash company upon Completion.

IMPLICATION UNDER THE LISTING RULES

As one of the applicable percentage ratios in respect of the Disposal under Rule 14.07 of the Listing Rules exceeds 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules which is subject to the reporting, announcement and shareholders' approval requirements.

As the Purchaser is a company wholly owned by Mr. Hu, who is the ultimate controlling Shareholder and the spouse of the chairlady of the Company, the Purchaser is a connected person of the Company under the Listing Rules. As such, the transaction as contemplated under the Disposal also constitutes a connected transaction of the Company under Rule 14A.13(1)(a) of the Listing Rules, which is subject to approval from the Independent Shareholders. Accordingly, Mr. Hu and his associates will be required to abstain from voting in respect of the resolution approving the Agreement and the transactions contemplated thereunder at the SGM.

Ms. Lin had abstained from voting on the board resolution approving the Disposal as Ms. Lin is considered to be interested in the Agreement by virtue of the fact that the Purchaser is a corporation controlled by Mr. Hu, the spouse of Ms. Lin.

GENERAL

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to provide recommendation to the Independent Shareholders on the terms of the Agreement. Octal Capital has been appointed by the Company as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

SGM

A notice convening the SGM to be held at Board Room, 1st Floor, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong at 9:30 a.m. on 19 December 2012 is set out on pages SGM-1 to SGM-2 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolution as set out therein.

A form of proxy for use by the Shareholders at the SGM is enclosed herewith. Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit with the share registrars of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof (as the case may be) should you so wish.

Pursuant to the Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the Company will procure that the chairman of the SGM shall demand voting on the ordinary resolution set out in the notice of SGM be taken by way of poll.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 16 to 17 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Agreement. Your attention is also drawn to the letter of advice from Octal Capital set out on pages 18 to 37 of this circular which contains, amongst other matters, its advices to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Agreement.

The Directors, other than the independent non-executive Directors who have expressed their views on the transactions contemplated under the Agreement in this circular after receiving advice from the Independent Financial Adviser, consider that the terms of the Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole, and accordingly recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the SGM to approve the Agreement.

Your attention is also drawn to the general information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Sheng Yuan Holdings Limited
Yip Kar Hang, Raymond
Executive Director and Chief Executive Officer

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

3 December 2012

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL
AND
CONNECTED TRANSACTION

We refer to the circular of the Company to the Shareholders dated 3 December 2012 (the "**Circular**"), in which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed "Definitions" of the Circular.

We have been appointed as members of the Independent Board Committee to provide recommendation to the Independent Shareholders on the terms of the Agreement.

We wish to draw your attention to the letter of advice from Octal Capital, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Agreement as set out on pages 18 to 37 of the Circular and the letter from the Board set out on pages 5 to 15 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Agreement to be proposed at the SGM.

Yours faithfully,
Independent Board Committee
Sheng Yuan Holdings Limited
Mr. Cheung Kwok Keung
Mr. Lam Kam Tong
Mr. Qi Wenju
Independent non-executive Directors

金融有限公司
OCTAL Capital Limited

801–805, 8/F, Nan Fung Tower,
173 Des Voeux Road Central,
Hong Kong

3 December 2012

To the Independent Board Committee and
the Independent Shareholders

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal and terms of the Agreement, particulars of which are set out in the letter from the Board (the "Letter from the Board") of the circular to the Shareholders dated 3 December 2012 (the "Circular") and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As set out in the Letter from the Board, on 31 October 2012, the Company, the Purchaser and Mr. Hu entered into the Agreement, pursuant to which the Company conditionally agreed to dispose of the Sale Share and the Sale Loan to the Purchaser and the Purchaser conditionally agreed to acquire the Sale Share and the Sale Loan from the Company. The consideration for (i) the Sale Share is US$1; and (ii) the Sale Loan shall be its face value on the date of Completion on a dollar-for-dollar basis payable in cash. The Sale Share represents the entire issued share capital of GCIL, and as the Latest Practicable Date, the Shareholder's Loan amounted to HK$49,463,907.

As one of the applicable percentage ratios in respect of the Disposal under the Listing Rules exceeds 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules which is subject to the reporting, announcement and shareholders' approval requirements. Besides, as the Purchaser is a company wholly-owned by Mr. Hu, who is the ultimate controlling Shareholder and the spouse of the chairlady of the Company, the Purchaser is a connected person of the Company. As such, the transaction as contemplated under the Disposal also constitutes a connected transaction of the Company under the Listing Rules, which is subject to approval from the Independent Shareholders. Mr. Hu and his associates will be required to abstain from voting in respect of the resolution approving the Agreement and the transactions contemplated thereunder at the SGM.

We are not connected with the Directors, chief executive and substantial shareholders of the Company or the Purchaser or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or the Purchaser or any of their respective subsidiaries or associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the executive Directors and management of the Company regarding the Group and the Agreement, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the executive Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the executive Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Purchaser, Mr. Hu and their respective associates nor have we carried out any independent verification of the information supplied.

THE DISPOSAL

In arriving at our opinion regarding the terms of the Agreement and the Disposal, we have considered the following principal factors and reasons:

1. Principal activities and business of the Group

The Group is principally engaged in trading of telecommunication equipment, provision of securities brokerage and financial services and asset management services. The table below sets out the financial highlights of the Group for the year ended 30 April 2011, the eight months ended 31 December 2011 and the six months ended 30 June 2012:

Expressed in HK$'000	**For the year ended 30 April 2011** (Audited)	**For the eight months ended 31 December 2011** *(Note)* (Audited)	**For the six months ended 30 June 2012** (Unaudited)
Turnover			
Trading of telecommunication equipment	19,774	45,794	39,887
Securities brokerage and financial services	2	1,210	2,431
Asset management services	–	487	833
Other business *(discontinued during the eight months ended 31 December 2011)*	32,450	–	–
Total	52,226	47,491	43,151

Expressed in HK$'000	**For the year ended 30 April 2011** (Audited)	**For the eight months ended 31 December 2011** *(Note)* (Audited)	**For the six months ended 30 June 2012** (Unaudited)
Segment results			
Trading of telecommunication equipment	(312)	(2,581)	(1,217)
Securities brokerage and financial services	(54)	(5,012)	(3,351)
Asset management services	–	(1,532)	(1,258)
Other business *(discontinued during the eight months ended 31 December 2011)*	(130)	(303)	–
Sub-total	(496)	(9,428)	(5,826)
Other income	30	377	302
Total comprehensive expenses of the Group	(12,604)	(31,316)	(21,404)
(Loss) before and after taxation	(13,070)	(40,367)	(26,928)

Note: As announced by the Company on 30 December 2011, the financial year end date was changed from 30 April to 31 December.

As stated in the annual report of the Company for the eight months ended 31 December 2011, the Company has discontinued its trading of electrical products and copper concentrates operations in Hong Kong during the above period as such business did not contribute any revenue during the same period due to the unfavourable market environment characterised by fierce competition and very thin margins. Thereafter, the Company focused on its trading operations on telecommunication equipment in the PRC, which commenced since August 2010. In addition, the Company commenced new businesses of securities brokerage and financial services and asset management services by acquiring SYSL in April 2011 and setting up SYAML. Besides, the Group has set up Sheng Yuan Capital (Hong Kong) Limited, which was approved as a licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activities in December 2011. As set out in the above table, total revenue from the continuing operations of the Group (comprising mainly the revenue from trading of telecommunication equipment and securities brokerage and financial services) was approximately HK$47.5 million for the eight months ended 31 December 2011, representing a growth as compared to the total revenue of the Group (excluding the discontinued business) for the year ended 30 April 2011.

During the eight months ended 31 December 2011, the Group recorded a net loss (excluding the loss from discontinued business) of approximately HK$40.1 million, which was higher than the net loss (excluding the loss from discontinued business) of approximately HK$12.9 million for the year ended 30 April 2011. Such loss was mainly due to expenditures incurred and increased to support the Group's diversification into the financial services field, including salaries, rental expenses for the Group's offices in Hong Kong and the PRC, and expenses recorded in relation to the issuance of share options amounting to approximately HK$12.9 million as part of the Group's incentive scheme for its staff. On the other hand, the segment result of the trading of telecommunication equipment business of the Group further deteriorated during the eight months ended 31 December 2011 and the Group recorded a segment loss of approximately HK$2.6 million as compared to HK$0.3 million for the year ended 30 April 2011.

During the six months ended 30 June 2012, the total revenue of the Group was approximately HK$43.2 million as compared with that of approximately HK$29.0 million recorded in the six months ended 31 October 2011. The Group continued to operate the trading of telecommunication equipment in the PRC and developed its financial services platform. The revenue from continuing operations of the Group for the six months ended 30 June 2012 mainly reflected the gradual development of the trading of telecommunication equipment in the PRC and securities brokerage and financial services in Hong Kong. However, the Group continued to record a net loss which was mainly due to the poor performance of the trading of telecommunication equipment in the PRC and the Group's financial services platform in Hong Kong having been developed under a weak economy which had slowed their paces towards reaching sufficient economies of scale to support the increasing overheads incurred for the developing operations.

2. The business and financials of the Disposal Group and overview of the PRC internet industry

The Disposal Group consists of GCIL, Sun Profit (China) and Sun Profit Trade. GCIL is a direct wholly owned subsidiary of the Company. As at the Latest Practicable Date, the sole asset of GCIL was the entire equity interest in Sun Profit (China) which in turn held the entire paid-up capital of Sun Profit Trade.

Sun Profit Trade was established by the Group in August 2010 with an initial registered capital of US$3 million and is principally engaged in trading of telecommunication equipment (including network equipment such as routers and modems, as well as other electronic products) in the PRC. In May 2011, the registered capital of Sun Profit Trade was increased to US$10 million. As at the Latest Practicable Date, approximately US$6 million of the registered capital of Sun Profit Trade had been paid up, which was funded by the Company by way of the provision of the Shareholder's Loan. Approximately US$4 million of the registered capital of Sun Profit Trade were not paid up and shall be procured to be paid by the Purchaser in accordance with the terms of the Agreement.

As advised by the Company, the key customers of Sun Profit Trade include telecommunication companies in the PRC who would either require the telecommunication equipment (mainly modems and routers) for their internal operating needs or for external marketing needs (where modems are often bundled with broadband services provided to their customers). Generally, Sun Profit Trade sources the telecommunication equipment from relevant suppliers after receiving orders from its customers and payment is often made to the suppliers with payment terms up to three months but sometimes the suppliers may require down-payments or prepayments. On the other hand, Sun Profit Trade grants a credit period of up to three months to its customers in general and the net receivable period has been roughly one to two months. Sun Profit Trade is also responsible for the delivery of products from suppliers to their customers.

The table below summarises the financial information of the Disposal Group for the year ended 30 April 2011, the eight months ended 31 December 2011, and the six months ended 30 June 2012:

Expressed in HK$'000	**For the year ended 30 April 2011** (Audited)	**For the eight months ended 31 December 2011** (Audited)	**For the six months ended 30 June 2012** (Unaudited)
Turnover	32,211	45,794	39,887
Gross profit	657	1,279	1,804
Gross profit margin	2.0%	2.8%	4.5%
Loss after taxation	(306)	(2,216)	(913)
Loss after taxation but excluding other income *(Note)*	(335)	(2,588)	(1,212)

Note: The other income represents the rental income generated from the investment properties held by the Disposal Group.

As noted from the above table, the operations of the Disposal Group have slightly shown improvement during the period from 1 May 2010 to 30 June 2012 in terms of turnover and gross profit margin. The Disposal Group recorded an average monthly turnover of approximately HK$2.7 million during the year ended 30 April 2011, approximately HK$5.7 million during the eight months ended 31 December 2011 and approximately HK$6.6 million during the six months ended 30 June 2012. Meanwhile, the gross profit margin has improved from approximately 2.0% recorded for the year ended 30 April 2011 to approximately 4.5% recorded for the six months ended 30 June 2012. However, the Disposal Group continued to record consecutive losses for the three financial periods above. As advised by the Company, the gross margins of the business of the Disposal Group were relatively thin which were primarily due to the competitive business environment for the Group's trading of telecommunication equipment in the PRC and the losses were mainly due to the fact that the Group's trading business had not yet to reach sufficient scale to cover its relevant fixed cost. As further explained by the Company, due to the workflow and payment terms set out above, if the Disposal Group wishes to expand the scale of its business, further substantial upfront outlay of capital will be required. Besides, although the Disposal Group owned certain investment properties in the PRC which have been leased to third party during the abovementioned year/period, the contribution from rental income was not sufficient to reduce the losses in a meaningful magnitude.

The following table set out the summary of the financial position of the Disposal Group as at 30 April 2011, 31 December 2011 and 30 June 2012 respectively.

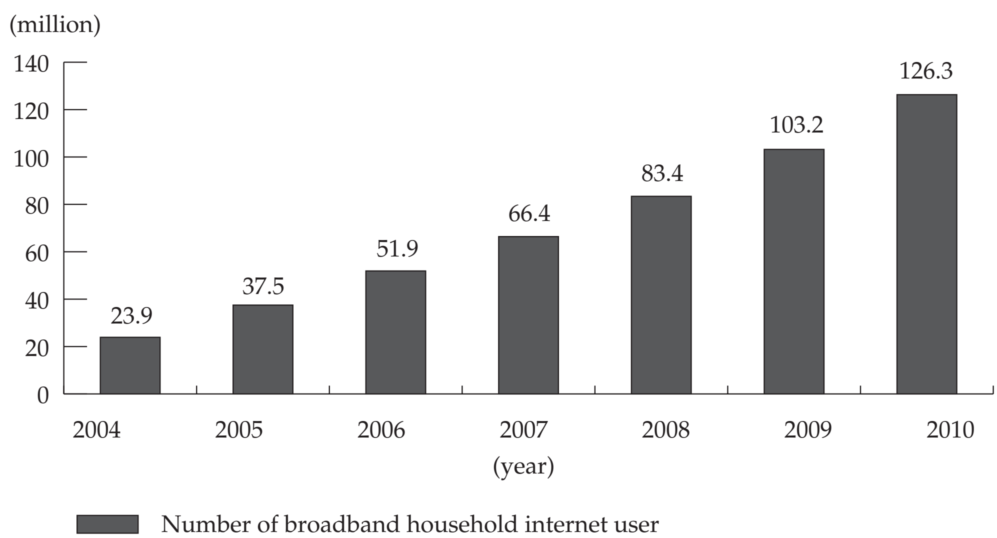
Expressed in HK$'000	**As at 30 April 2011** (Audited)	**As at 31 December 2011** (Audited)	**As at 30 June 2012** (Unaudited)
Non-current assets			
Property, plant and equipment	13	3,266	4,352
Investment properties	11,306	11,542	11,423
	11,319	14,808	15,775
Current assets			
Trade and other receivables and prepayments	7,429	20,408	29,021
Bank balances and cash	12,591	22,200	18,687
	20,020	42,608	47,708
Current liabilities			
Trade and other payables and accrual	174	8,956	16,385
Amount due to ultimate holding company	30,795	49,463	49,463
	30,969	58,419	65,848
Net assets/(liabilities)	370	(1,003)	(2,365)

The current assets of the Disposal Group comprises mainly the trade and other receivables and prepayments which has increased from approximately HK$7.4 million as at 30 April 2011 to approximately HK$29.0 million as at 30 June 2012. Meanwhile, the trade and other payables and accrual also increased from approximately HK$0.2 million as at 30 April 2011 to approximately HK$16.4 million as at 30 June 2012. During the aforesaid period, the average creditors' turnover days and average debtors' turnover days have increased in general.

As the business of the Disposal Group has been making consecutive losses, the Disposal Group recorded minimal net assets of approximately HK$0.4 million as at 30 April 2011 and even recorded net liabilities of approximately HK$2.4 million as at 30 June 2012.

The PRC internet industry

Number of broadband household internet users in the PRC between 2004 and 2010



Source: China Internet Network Information Center (CNNIC)

Based on the research report on internet industry prepared by CNNIC in January 2012, over the past few years, the PRC has experienced growth in the internet industry. As set out in the chart above, the number of broadband household internet users in the PRC increased from approximately 23.9 million in 2004 to approximately 126.3 million in 2010, representing a compounded annual growth rate of approximately 32.0%. Modems and routers are the basic network equipment in a local area network mainly responsible for signal decoding and transmission. Accordingly, there has been an increasing demand of modems and routers in the PRC over the past few years.

However, as modems and routers are generic network products which do not require sophisticated and advanced technology in the development and manufacturing, their selling prices are low in general due to vast supply of products with similar specifications from various suppliers and manufacturers. Moreover, the intense market competition amongst numerous manufacturers and resellers also exerts pressure on the selling price of modems and routers which in turn reduces their profit margins.

On the other hand, there is recently a tendency of migrating from desktop computers with fixed network line to mobile computing devices such as smartphones and tablets which are supported by the evolving mobile telecommunication technology. As nowadays most people are pursuing the mobile network rather than the local area network with bounded coverage, the reliance on the use of traditional modems and routers are diminishing gradually.

In light of the net liabilities financial position, longer collection days (as represented by the worsening debtor turnover days), limited internal financial resources of the Disposal Group and the thin profit margin associated with the ever-competitive markets for the trading business of telecommunication equipment in the PRC, the scale of business of the Disposal Group is unlikely to grow substantially itself without additional capital influx from external parties. Moreover, as a result of the dimmer outlook of the modems and routers market as stated above, it is expected by the Company that the growth potential of the Disposal Group's business is limited in the near future. Based on the historical financial performance of the Disposal Group, the requirement of funds for maintaining and expanding the business of the Disposal Group and the consistently low profit margin of the business of the Disposal Group, we consider that there are fundamental factors limiting the growth of the business of the Disposal Group and we concur with the view of the Company that the growth potential of the Disposal Group's business in near future is limited. Our analysis and view on the Disposal is set out in the following sections.

3. Reasons for the Disposal and benefits to the Group

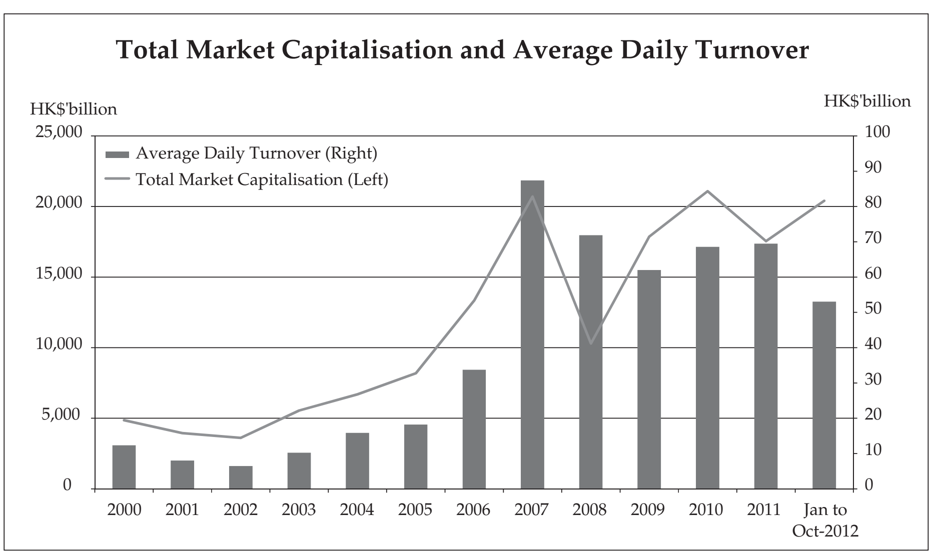
As set out in the Letter from the Board, the trading of telecommunication equipment business of the Group is carried out by the Disposal Group through Sun Profit Trade. For the past two years since the establishment of the operating companies under the Disposal Group in 2010, the turnover recorded by the Disposal Group has gradually increased. The management of the Company has been diligently operating the trading of telecommunication equipment business in the PRC and through their efforts, Sun Profit Trade has also become an authorised dealer of certain of its telecommunication equipment and products and as a qualified supplier for certain telecommunication companies in the PRC. However, due to the relatively low margin nature of the business caused by a competitive business environment and the business having yet to reach sufficient scale, the Disposal Group has been suffering losses since its establishment. Although the trading of telecommunication equipment business of the Disposal Group has been gradually improving since its inception, it remains a very competitive segment with low margins. The management of the Company estimates that a substantial amount of working capital would be required to support and further develop the business of the Disposal Group to reach economies of scale necessary for achieving a meaningful return for the Group, which would require significant further expansion of its business network and product roster, and undertake substantial marketing activities. We were advised by the Company that it would be difficult for the Disposal Group to obtain any loan or banking facilities due to the relatively short history of the Disposal Group's business, the net liabilities financial position and the loss-making performance of the Disposal Group. Therefore, the Company would have to rely on its own internal resources should the Disposal Group resolve to further expand with a view to achieving sufficient economies of scale, which may not be practicable for the Company given the present financial position of the Company.

Since the establishment of Sun Profit Trade and up to the date of the Agreement, the Company has invested a total of approximately HK$49.5 million in the Disposal Group by way of the provision of the Shareholder's Loan. Considering that (i) the Disposal Group has been loss-making for the past two years and it recorded unaudited net liabilities of approximately HK$2.4 million as at 30 June 2012; and (ii) the consideration for the Disposal, being US$1 for the Sale Share and the consideration of the Sale Loan will be the face value of the Shareholder's Loan upon Completion, which would be able to recover the investment cost of the Group in the Disposal Group, the Directors consider that it is an opportune time to dispose of the Disposal Group and thus allow the Group to have more flexibility for further investment in the financial services fields or for any other potential investment that would help diversify the business scope and expand the income source of the Group.

After the completion of the Disposal, the Group will focus to engage in the provision of financial services, which include securities brokerage, margin financing and asset management services. The members of the Remaining Group have been licensed under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities respectively which enable the Remaining Group to become a comprehensive financial services provider, with operation focus primarily placed upon SYSL and SYAML. SYSL generates turnover mainly from its securities and futures business from brokerage commission received from its clients when the relevant securities and/or futures transactions are executed. In addition, SYSL also provides margin financing for clients who would like to purchase securities with margin financing, through which securities financing income was generated. As at 30 June 2012, SYSL had a margin loan portfolio of approximately HK$37.7 million and had over 200 and 30 customers under cash accounts and margin accounts respectively.

The revenue of the Remaining Group has been increasing since the acquisition of SYSL, however, the Remaining Group recorded net loss of approximately HK$38.2 million and approximately HK$26.0 million for the eight months ended 31 December 2011 and the six months ended 30 June 2012 respectively. The increase in revenue was mainly due to the gradual expansion of the customer base for securities trading as well as the margin financing. The net loss of the Remaining Group for the eight months ended 31 December 2011 was mainly due to initial expenditures incurred for the Group's diversification into the financial services field whilst the net loss of the Remaining Group for the six months ended 30 June 2012 was mainly due to the weak economy and Hong Kong financial market as evidenced by the low average daily turnover on the Stock Exchange. Although the global economy might continue to be unstable, the management of the Company believes that, with the implementation of the third round quantitative easing measures since mid-September 2012, the overall stock market in Hong Kong could be stimulated which in turn, would benefit the development of the stock brokerage and margin financing businesses of the Remaining Group.

As set out in the chart below, the average daily turnover in Hong Kong securities market (including both Main Board and Growth Enterprise Market of the Stock Exchange), in value, has once hit the highest of approximately HK$87.4 billion in 2007 but then shrank to approximately HK$53.1 billion for the first ten months in 2012. Nevertheless, the average daily turnover has shown an increasing trend in general and has fluctuated within HK$50 billion per day and HK$70 billion per day since 2008. On the other hand, the total market capitalisation of the securities listed on the Stock Exchange still remains at the level around the historical high and ranks seventh amongst the global financial markets and ranks the third largest financial markets in Asia in terms of market value of shares listed as at the end of December 2011 according to World Federation of Exchanges.



Source: Stock Exchange

In order to assess the business prospect of provision of brokerage and related financial services in Hong Kong, we have identified 27 companies ("Brokerage Comparables") listed in the Stock Exchange which are principally engaged in provision of brokerage and related financial services in Hong Kong. The market capitalisation of the Brokerage Comparables as at the Latest Practicable Date ranges from approximately HK$85.2 million to HK$18.72 billion and asset sizes of the Brokerage Comparables as at the date on which their latest published financial statements were prepared ranges from approximately HK$218.0 million to HK$182.4 billion respectively. We have also reviewed their latest published financial results for the most recent financial year and noted that almost half of them were able to make profit in the sluggish market. In addition, we have also reviewed the number of licensed corporations for carrying out type 1 (dealing in securities) regulated activity as published by SFC and noted that such number has increased from 676 as at the end of 2003 to 922 as at the end of September 2012. The above indicates that although competition is fierce in the Hong Kong financial market, companies with huge asset size are able to make profits given the stock brokerage and margin financing business is capital intensive. However, on the flip side, as set out above, more than half of the Brokerage Comparables were loss-making and the Independent Shareholders should note that there is no assurance that the Remaining Group will have a turnaround in profit in near future even after additional resources were available to the Remaining Group after the Disposal.

As set out in the Letter from the Board, the Company intends to use the net proceeds from the Disposal of approximately HK$47.1 million, assuming there being no change to the amount of the Shareholder's Loan from the date of the Agreement to the date of Completion as to (i) approximately HK$25 million for the development and operation of the securities and margin financing businesses of the Group; (ii) approximately HK$10 million will be reserved for investment in new business propositions should suitable opportunities arise; and (iii) approximately HK$12.1 million will be used for general working capital of the Remaining Group. As further set out in the Letter from the Board, the Group plans to provide a wide range of financial services with stock brokerage and margin financing as its core so as to capture the business opportunities of the financial market in Hong Kong. With the launch of the futures contracts trading business and the increase in capital assuming completion of the Disposal, trading activities in futures contracts and securities of SYSL are expected to increase, which will lead to increased commission income and financing income. Scale of margin financing shall also be expanded as and when capital permits to increase financing income and to encourage increased clients' trading turnover via providing added flexibility and leverage of margin financing. In providing margin financing for securities and futures trading, SYSL adheres to prescribed policies such as defining prescribed stock margin ratios and deposit ratio and maintaining record of creditworthiness of clients. As advised by the Company, brokerage team of SYSL (including both dealing in securities and futures) currently consists of 14 licensed persons and SYSL plans to enlarge its brokerage team in the coming few years by recruiting representatives with solid relevant experience and strong client base. SYSL will primarily provide its securities and futures trading service via its existing internet and telephone trading platform and SYSL will have the opportunity to achieve its economy of scale and better results if there is additional capital to support the business expansion. Also, looking forward, SYSL plans to provide financing for applications of shares in connection with initial public offerings and will develop its capability of participating in or undertaking small to medium scale of securities placement. The Chief Executive Officer of the Company, who has experience of over 20 years, is a responsible officer of SYSL and, in conjunction with three other responsible officers, is responsible for its general management and overall business strategy.

According to the Letter from the Board, SYAML, the Group's asset management arm, shall seek to achieve growth via the recruitment of further investment into the Sheng Yuan China Growth Fund and enlarging its client base for discretionary portfolio management services in the future should suitable opportunities arise. As advised by the Company, although the performance of Sheng Yuan China Growth Fund has been satisfactory in general, it has not been marketed to the professional investors through distribution agents (such as investment banks), which usually require a performance history for their reference. As the history of Sheng Yuan China Growth Fund is gradually built up, the Company intends to approach various fund distribution agents to seek more investors. On the other hand, the Company also plans to further explore the business of providing discretionary portfolio management services, including those to investment immigrants who are eligible to participate in the Capital Investment Entrance Scheme in Hong Kong. As advised by the Company, SYAML has already started accumulating clients for the provision of discretionary portfolio management services.

Moreover, in light of the fact that the Group has limited resources to develop and maintain both the businesses of the Disposal Group and the Remaining Group, we were advised by the Company that the financial positions of the Group would be difficult to improve substantially in the near term as both businesses require further cash resources input which is currently unavailable to the Group and, apart from depending on the general economic environment and market sentiment, the turnaround to profitable position of the Group may require substantial time and effort if both businesses are continued to be carried out side by side. By weighing the merits and demerits amongst a number of optimising scenarios, the Company has narrowed down to the scenario of consolidating the Group's resources towards the business of the Remaining Group with a view to utilising its resources more efficiently and endeavour to achieve turnaround in near future.

Although the operating history of the business of the Remaining Group is not long and the business has recorded consecutive losses, we note that the business of the Disposal Group also recorded consecutive losses even if it has been under operation by the Group for more than two years and we consider that length of operating history is irrelevant to the business potential of a business. We reckon that, as with any business operation, there are inherited business risks in both the businesses of the Disposal Group and the Remaining Group and we consider that there is no assurance that the Group would perform better if the Disposal Group remains to be operated under the Group. However, we consider that it may be more difficult for the Group to continue to operate both businesses in parallel as reflected by its unsatisfactory financial results when operating and managing both businesses at the same time. Accordingly, we consider that the Disposal represents a better option for the Company to attempt to revive the Group by transforming the business of the Disposal Group into immediate cash influx for developing the business of the Remaining Group and increase the likelihood for the Remaining Group to achieve a turnaround position whilst avoiding additional fund injection by Shareholders and allowing the Shareholders to enjoy the potential upside from such restructuring without further investments in the near term. As advised by the Company, the Directors are optimistic to the operation of the Remaining Group, which will be in a better position for endeavoring to achieve a turnaround when the securities market recovers and restores a trend of growth.

Based on the above and having considered that (i) the consecutive losses recorded by the Disposal Group; (ii) the Disposal will enable the Group to realise the trading business of the Disposal Group with immediate cash inflow for development of the financial businesses of the Remaining Group and provides an immediate opportunity for the Group to recover its investment in the Disposal Group; (iii) the Disposal would relieve the Remaining Group from future financial burden as substantial amount of working capital would be required to support and further develop the business of the Disposal Group and the Group is difficult to raise fund from third parties; (iv) the management can focus on the development of the financial business of the Remaining Group; (v) the prospect of the Hong Kong financial market remains lucrative as illustrated by increasing number of participants entering into the market place and Hong Kong remains a key player in global market place where investors are expected to participate and trade from time to time; (vi) it may be more difficult for the Group to continue to operate both businesses in parallel as reflected by its unsatisfactory financial results when operating and managing both business at the same time; and (vii) the relatively dim prospect of the trading business of generic telecommunication network products such as modems and routers as expected by the Company, we consider that (i) there is commercial rationale for the Company to enter into the Agreement and to reallocate its resources to the business segment of securities brokerage and financial services and other suitable business propositions (if any) and the Disposal; and (ii) the change of business focus of the Group from both businesses of the Disposal Group and the Remaining Group to merely engage in the financial sector as a result of the Disposal is in the interests of the Company and the Shareholders as a whole.

4. Terms of the Disposal

Details of the terms of the Agreement were set out in the "Letter from the Board" in the Circular.

Consideration of the Disposal

The consideration for the Sale Share is US$1, which shall be payable in cash by the Purchaser to the Company at Completion. The consideration for the Sale Loan shall be its face value on the date of Completion on a dollar-for-dollar basis which is payable in cash. Assuming there is no change to the amount of the Shareholder's Loan from the Latest Practicable Date to the date of Completion, the total consideration to be received by the Company for the Disposal would be approximately HK$49,463,915, which shall be payable by the Purchaser in the following manner:

(i) a refundable deposit in the amount of HK$20,000,000 (the "Deposit") shall be payable by the Purchaser to the Company in cash within three days after the signing of the Agreement. The Deposit has been paid as of the Latest Practicable Date; and

(ii) the remaining balance of the consideration shall be payable by the Purchaser to the Company in cash on Completion.

The Company has confirmed that the Sale Loan shall be not less than the amount of the Shareholder's Loan on the Latest Practicable Date. According to the terms of the Agreement, the amount of the Shareholder's Loan may be increased with the consent of the Purchaser. In such event, the total consideration payable for the Sale Loan shall equal to the amount of the Shareholder's Loan as at Completion.

The consideration of the Disposal was determined after arm's length negotiations between the Purchaser and the Company, in particular, with reference to (i) the unaudited consolidated net liabilities position of the Disposal Group in the amount of approximately HK$2.4 million as at 30 June 2012; and (ii) the face value of the Shareholder's Loan, which amounted to HK$49,463,907 as at the date of the Agreement. As advised by the Company, the Disposal Group relied on the funding support from the Group by way of the Shareholders' Loan only and the internally generated funds were not sufficient to maintain the business of the Disposal Group. Although the Shareholders' Loan is a debt in nature, it is virtually equivalent to the capital of the Disposal Group in reality. Given that the Disposal Group has made consecutive losses and it is expected by the Company that the turnaround to profitable is uncertain in near future, we consider that it is common for a purchaser to acquire a loss-making business with consideration determined with reference to the size of its net assets. In this case, we consider that it is fair and reasonable to determine the consideration of the Disposal by way of aggregating the nominal value of the Sale Share and the face value of the Shareholders' Loan.

In order to assess the fairness and reasonableness of the level of consideration of the Disposal, we have identified three companies (the "Comparable Companies"), whose shares are listed on the main board of the Stock Exchange, which are principally engaged in the sales and distribution of computers and/or information technology products in the PRC. Notwithstanding the fact that the respective market capitalisation of the Comparable Companies are much larger than the size of the Disposal Group, taking into account that (i) both the Disposal Group and the Comparable Companies derive their income mainly from trading business; (ii) products being distributed by the Disposal Group and the Comparable Companies are similar; and (iii) the principal market for both the Disposal Group and the Comparable Companies are entirely or mainly located in the PRC, we consider the Comparable Companies suitable and are fair and representative samples for our comparison with the Disposal Group.

Given that the consideration was determined with reference to the value of assets and liabilities of the Disposal Group, we have computed the price-to-book ratio ("PBR") of the Comparable Companies for comparison and we consider it as an appropriate benchmark for comparison. In addition, as the Disposal Group is principally engaged in the trading business, price-earnings multiple ("PER") is also one of the most commonly used benchmarks for valuing the Disposal Group. However, given that the Disposal Group has been in a loss making position for the eight months ended 31 December 2011, it would not be feasible and meaningful to assess the consideration using the PER approach. We have also considered dividend yield as an alternative benchmark but given the Disposal Group did not pay dividend in the past, such approach is also not applicable. Set out below is the table of PBR, PER and dividend yield of the Comparable Companies and the Disposal Group:

Stock Code	**Company Name**	**Closing price of shares as at the date immediately prior to the date of the Agreement**	**Earnings per share**	**Book value per share**	**Dividend**	**PER**	**PBR**	**Dividend yield**
		(HK$)	*(HK$)*	*(HK$)*	*(HK$)*	*(times)*	*(times)*	*(%)*
			(Note 1)	*(Note 2)*	*(Note 3)*			
		(a)	(b)	(c)	(d)	(a)/(b)	(a)/(c)	(d)/(a)
465	Futong Technology Development Holdings Limited *(Note 5)*	1.210	0.279 *(Note 4)*	1.893 *(Note 4)*	0.085 *(Note 4)*	4.337	0.639	7.02
618	EC-Founder (Holdings) Company Limited *(Note 6)*	0.335	(0.760)	0.272	Nil	N/A	1.232	Nil
861	Digital China Holdings Limited *(Note 7)*	12.940	1.163	5.716	0.398	11.126	2.264	3.08
					Min	4.34	0.64	0.00
					Max	11.13	2.26	7.02
					Mean	7.73	1.38	5.05
					Median	7.73	1.23	5.05

	Total consideration for the Sale Share and the Sale Loan	Loss for the eight months ended 31 December 2011	Adjusted book value	Dividend	PER	PBR	Dividend yield
					(times)	*(times)* *(Note 8)*	*(%)*
The Disposal Group	HK$49,463,915	HK$(2,216,000)	HK$47,505,000 *(Note 9)*	**Nil**	**N/A**	**1.04**	**Nil**

Source: Stock Exchange

Notes:

1. Earnings per share is referred to the profit attributable to the shareholders of the Comparable Companies for the previous financial year divided by weighted-average number of shares in issue during the same financial year.

2. Book value per share is referred to the book value of the Comparable Companies as set out in their latest published annual/interim report divided by the number of shares in issue as at the end of the respective financial year/period.

3. Dividend yield is referred to the dividend payout during the previous financial year divided by the closing price of shares of the Comparable Companies as at the date immediately prior to the date of the Agreement.

4. RMB0.81323 is translated into HK$1 according to the currency translation rate as published by the People's Bank of China on 30 October 2012, being the date immediately prior to the date of the Agreement.

5. Futong Technology Development Holdings Limited is principally engaged in distribution of enterprise information technology products in the PRC and provision of information technology solutions and information technology technical support services.

6. EC-Founder (Holdings) Company Limited is principally engaged in the distribution of information product in PRC and Hong Kong.

7. Digital China Holdings Limited is principally engaged in the sale and distribution of general information technology products, sale and distribution of systems products, provision of supply chains services, provision of information technology planning and information technology systems consultation, design and implementation of industry and application software and solutions, outsourcing of information technology system operation and maintenance.

8. PBR of the Disposal Group is referred to the adjusted book value of the Disposal Group as at 30 June 2012 by excluding the Shareholder's Loan.

9. The figure assumes the relevant shareholders loan was capitalised as at 30 September 2012.

As the Purchaser will acquire both the Sale Share and the Shareholder's Loan under the Disposal, the Shareholder's Loan and the consideration for the Sale Share represent the total investment cost in the Target Group by the Purchaser, therefore, for analysis purpose, we assume the Shareholder's Loan to be part of the equity capital when computing the PBR of the Disposal Group.

Upon comparison, we note that the PBR of the Disposal Group of approximately 1.04 times is comparable to the median of approximately 1.23 times of the Comparable Companies and falls within the range of that of the Comparable Companies. However, given that majority of the Comparable Companies was profit-making, it is justifiable for the Comparable Companies to have a median PBR slightly higher than that of the Disposal Group. We also note that the consideration is sufficient to recover the investment cost of the Group in the Disposal Group.

On the above basis, in particular the assessment of the consideration by using price-to-book multiple, we consider the level of consideration and the basis for determining the consideration are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Terms of settlement of the consideration

Pursuant to the Agreement, the total consideration to be received by the Company for the Disposal would be approximately HK$49,463,915, which shall be payable by the Purchaser in the following manner: (i) a refundable deposit in the amount of HK$20,000,000 shall be payable by the Purchaser to the Company in cash within three days after the signing of the Agreement. The Deposit has been paid as of the Latest Practicable Date; and (ii) the remaining balance of the consideration shall be payable by the Purchaser to the Company in cash on Completion.

We were advised by the Company that the payment terms were agreed between the Purchaser and the Company on an arm's length basis. Taking into account that such payment method is common in the market place and the cash payment would allow the Company to receive cash instantly and facilitate the Company to utilise such resources without delay, we consider that the payment terms of the Disposal are fair and reasonable.

5. Financial effects of the Disposal

The Disposal Group is currently wholly-owned by the Company. Upon completion of the Disposal, the Group shall not have any equity interest in the Disposal Group and financial performance and position of the Disposal Group will cease to be consolidated in the accounts of the Group.

Earnings

The Group had consolidated unaudited net loss of approximately HK$26.9 million for the six months ended 30 June 2012. As stated in the section headed "Unaudited pro forma financial information on Remaining Group" in Appendix III to the Circular, the unaudited pro forma loss of the Remaining Group is to be slightly improved and reduced to approximately HK$25.8 million after taking into account of the estimated gain on the Disposal and assuming that the Disposal had been completed on 1 January 2012.

Net asset value

The Group had consolidated unaudited net asset value of approximately HK$126.1 million as at 30 June 2012. As stated in the section headed "Unaudited pro forma financial information of the Remaining Group" in Appendix III to the Circular, the unaudited pro forma net asset value of the Remaining Group remains virtually the same at the level of approximately HK$126.1 million after taking into account of the effect of the Disposal.

Cashflow

As stated in the section headed "Unaudited pro forma financial information of the Remaining Group" in Appendix III to the Circular, the bank balances (general accounts) and cash of the Group as at 30 June 2012 amounted to approximately HK$50.0 million. Given that the net proceeds from the Disposal of approximately HK$47.1 million will be satisfied in full by way of cash upon completion of the Disposal, it is expected there will be a positive impact on the cashflow of the Remaining Group arising from the Disposal and the bank balances (general accounts) and cash would increase to approximately HK$78.4 million.

Liquidity

The current ratio and quick ratio of the Group were approximately 6.2 times and 2.5 times as at 30 June 2012. As stated in the section headed "Unaudited pro forma financial information of the Remaining Group" in Appendix III to the Circular, the current ratio and quick ratio of the Remaining Group is expected to be improved to approximately 37.3 times and 24.2 times respectively after taking into account of the effect of the Disposal.

Based on the above analysis, the Disposal would have (i) a slight improvement on the financial results of the Company by reducing the net loss, (ii) a slight improvement in the Group's net asset value; and (iii) an immediate cash inflow as well as the improvement in liquidity to the Group upon completion of the Disposal. On such basis, we are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole.

6. Recommendation

Having considered the principal factors and reasons as discussed above, and in particular the following:

- the operations of the Disposal Group incurred consecutive losses since its establishment;
- the Disposal will enable the Group to realise the trading business of the Disposal Group with immediate cash inflow for development of the financial businesses of the Remaining Group and provides an immediate opportunity for the Group to recover its investment in the Disposal Group;
- the Disposal would relieve the Remaining Group from future financial burden as a substantial amount of working capital would be required to support and further develop the business of the Disposal Group and the Group is difficult to raise fund from third parties;
- the Disposal would result an immediate cash inflow to the Group which will improve the Group's cash and net asset position and allow the Company to redirect its resources to the business segment of securities brokerage and financial services and other suitable business propositions (if any);
- the Directors are optimistic to the operation of the Remaining Group which will be in a better position for endeavoring to achieve a turnaround when the securities market recovers and restores a trend of growth; and
- the PBR represented by the consideration for the Disposal is comparable with the median of the Comparable Companies and falls within the range of the Comparable Companies,

we consider that the terms of the Agreement and the Disposal are fair and reasonable and the Disposal is on normal commercial terms and in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Octal Capital Limited
Alan Fung
Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

The Company changed the financial year end date from 30 April to 31 December on 30 December 2011 and as a result, the audited results of the Group for that year covered the eight-month period ended 31 December 2011. Details of the financial information of the Group for each of the two years ended 30 April 2010 and 2011, the eight months ended 31 December 2011, and the six months ended 30 June 2012 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.shengyuan.hk):

- annual report of the Company for the year ended 30 April 2010 (the "**Financial Year 2009/10**") dated 16 July 2010 published on 28 July 2010 (pages 20-56);
- annual report of the Company for the year ended 30 April 2011 (the "**Financial Year 2010/11**") dated 27 July 2011 published on 10 August 2011 (pages 20-59);
- annual report of the Company for the eight months ended 31 December 2011 (the "**Financial Year 2011**") dated 27 March 2012 published on 13 April 2012 (pages 21-65); and
- interim report of the Company for the six months ended 30 June 2012 (the "**2012 Interim Period**") dated 20 August 2012 published on 31 August 2012 (pages 4-20).

2. INDEBTEDNESS STATEMENT

At the close of business on 31 October 2012, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding indebtedness comprising obligations under finance leases of approximately HK$113,000 which are pledged by the assets with carrying amount of HK$136,000 as at 31 October 2012.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether secured or unsecured, guaranteed or not) any mortgages or charges, or other material contingent liabilities or guarantee at the close of business on 31 October 2012.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011, the date to which the latest audited consolidated financial statements of the Group were made up.

4. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the present available financial resources, including internally generated funds and the proceeds from the Disposal, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULT AND OPERATIONS OF THE REMAINING GROUP

(a) Business review for the Financial Year 2009/10

Business and financial review

For the Financial Year 2009/10, revenue of the Remaining Group was approximately HK$7.8 million, which was generated from the trading of electrical products and copper concentrate. A net loss of approximately HK$19.4 million was recorded for the Financial Year 2009/10, which was mainly due to (i) accounting for an increase in administrative expenses mainly attributable to share-based payments incurred for the issuance of options to newly recruited staff and Directors; and (ii) legal and advisory expenses incurred for the Remaining Group's change of controlling shareholder, associated fundraising exercise and exploration of new business projects during the Financial Year 2009/10.

Significant investments, material acquisitions and disposals

There was no significant investments, material acquisitions or disposals during the Financial Year 2009/10.

Liquidity and financial resources

As at 30 April 2010, cash and bank balances maintained by the Remaining Group were approximately HK$43.8 million. The Remaining Group's current ratio (current assets over current liabilities) as at 30 April 2010 was 800% and the Remaining Group has no borrowings as at 30 April 2010. The gearing of the Remaining Group, measured as total debts to total assets was 110% as at 30 April 2010. After the conversion of 5% coupon convertible notes issued by the Company on 17 July 2007 and due on 17 July 2012 (the "**5% Notes**") during the Financial Year 2009/10, the net deficit of the Remaining Group as at 30 April 2010 amounted to approximately HK$9,818,000.

The Remaining Group financed its operation with internally generated cash flow and funds from the issuance of 2% coupon convertible notes at the principal amounts of HK$5,152,000 and HK$39,265,600 on 17 November 2009 and 29 April 2010 with maturity dates of 17 November 2012 and 29 April 2013 respectively (the "**2% Notes**").

Foreign exchange exposure

The Remaining Group's transactions were mainly denominated in Hong Kong dollars and United States dollars. As Hong Kong dollars was pegged to United State dollars, the Remaining Group's exposure to exchange rate fluctuations was minimal. Therefore, the Remaining Group did not engage in any hedging contracts during the Financial Year 2009/10.

Capital structure

During the Financial Year 2009/10, the holder of the 5% Notes has converted the 5% Notes in August 2009 and March 2010 with aggregate principal amount of HK$36,000,000 into a total of 300,000,000 shares of the Company.

Contingent liabilities and capital commitment

As at 30 April 2010, the Remaining Group did not have any material contingent liabilities and capital commitment.

Pledge of assets

As at 30 April 2010, the Remaining Group did not pledge any of its assets.

Employee and remuneration policies

As at 30 April 2010, the Remaining Group employed approximately 11 employees, all situated in Hong Kong. The remuneration policy and package of the Remaining Group's employees were maintained at market level and reviewed annually by the management. In addition to the 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 Remaining Group.

Future plans for material investments and acquisition of capital assets

There was no specific plan for material investments and acquisition of material capital assets as at 30 April 2010.

(b) Business review for the Financial Year 2010/11

Business and financial review

For the Financial Year 2010/11, revenue of the Remaining Group was approximately HK$20.0 million. The revenue was attributable to the Group's trading of electrical products in Hong Kong. Net loss attributable to shareholders of the Remaining Group for the Financial Year 2010/11 was approximately HK$12.8 million.

Exercising prudence in view of the competitive environment of the business leading to difficulties in maintaining margins, the Remaining Group was selective on transactions in the trading of electrical products and copper concentrates to take. Efforts made in such difficult environment in soliciting trading business in electrical products have resulted in improved revenue of approximately HK$20.0 million for the Financial Year 2010/11. However, in consideration for minimising pricing risks associated with taking positions in copper concentrate, the Remaining Group was very cautious on copper concentrate trading and the Remaining Group did not enter into any such transaction during the Financial Year 2010/11.

To strengthen its business portfolio and broaden its income stream, the Remaining Group expanded its business scope into securities brokerage and financial services during the Financial Year 2010/11. In January 2011, the Remaining Group entered into an agreement to acquire SYSL. The transaction was completed on 28 April 2011 and SYSL began contribution to the Remaining Group's results at the end of the Financial Year 2010/11.

Significant investments, material acquisitions and disposals

In January 2011, the Remaining Group entered into an agreement to acquire SYSL and the completion of the transaction took place on 28 April 2011.

Liquidity and financial resources

As at 30 April 2011, cash and bank balances maintained by the Remaining Group were approximately HK$131.8 million, which included proceeds from the rights issue completed in March 2011. The completion of the acquisition of SYSL led to increased trade and other receivables and prepayments to approximately HK$3.8 million, trade and other payables of approximately HK$5.1 million and non-current assets of approximately HK$7.7 million as at 30 April 2011. The Remaining Group's current ratio (current assets over current liabilities) as at 30 April 2011 was a robust 26 times approximately. The Remaining Group has no borrowings as at 30 April 2011. The gearing of the Remaining Group, measured as total debts to total assets was significantly improved to 37% as at 30 April 2011. The Remaining Group recorded net assets of approximately HK$116.9 million as at 30 April 2010.

During the Financial Year 2010/11, the Remaining Group financed its operation with internally generated cash flow, prior issuance of convertible notes and funds from the rights issue on the basis of two rights shares for every five shares of the Company raising gross proceeds of approximately HK$141.4 million in March 2011.

Foreign exchange exposure

The Remaining Group's transactions were mainly denominated in Hong Kong dollars and Renminbi. Foreign exchange exposure of the Remaining Group was considered minimal as the exchange rate of Renminbi against Hong Kong dollars was relatively stable during the Financial Year 2010/11. Therefore, the Remaining Group did not engage in any hedging contracts during the Financial Year 2010/11.

Capital structure

In March 2011, the Remaining Group completed a rights issue on the basis of two rights Shares for every five Shares at a subscription price of HK$0.42 per rights share. 336,686,546 Shares were issued and gross proceeds of approximately HK$141.4 million were raised as a result. As at 30 April 2011, the Company has 1,178,402,911 Shares in issue.

Contingent liabilities and capital commitment

As at 30 April 2011, the Remaining Group did not have any material contingent liabilities and capital commitment.

Pledge of assets

As at 30 April 2011, the obligations under finance leases of approximately HK$165,000 were pledged by the assets with carrying amount of HK$134,000.

Employee and remuneration policies

As at 30 April 2011, the Remaining Group employed approximately 18 employees. The remuneration policy and package of the Remaining Group's employees were maintained at market level and reviewed annually by the management. In addition to the 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 Remaining Group.

Future plans for material investments and acquisition of capital assets

There was no specific plan for material investments and acquisition of material capital assets as at 30 April 2011.

(c) Business review for the Financial Year 2011

Business and financial review

For the Financial Year 2011, revenue of the Remaining Group was approximately HK$1.7 million, which reflected the ceasing of contribution from the Remaining Group's trading of electrical products and copper concentrates, the increased revenue contributions from the Remaining Group's securities brokerage and financial services and the beginning of revenue contribution from the asset management service segment during the Financial Year 2011. Net loss of the Remaining Group for the Financial Year 2011 was approximately HK$38.2 million, which was mainly attributable to expenditures incurred and increased to support the Remaining Group's diversification into the financial services field, including salaries, rental expenses for the Remaining Group's offices in Hong Kong, and expense recorded in relation to the issuance of share options.

Since the completion of the acquisition of SYSL just prior to the beginning of the Financial Year 2011, the Remaining Group took steady steps towards diversifying into the financial services field during the Financial Year 2011. During the Financial Year 2011, as SYSL gradually began building its client base and its margin financing business, the securities brokerage and financial services segment contributed approximately HK$1.2 million in revenue to the Remaining Group. In September 2011, as the Remaining Group launched Sheng Yuan China Growth Fund, to which SYAML acts as the investment adviser to the fund's manager, SYAML started contributing revenue to the Remaining Group with approximately $0.5 million in external sales revenue during the Financial Year 2011. Other than providing advice for the fund, SYAML also provides portfolio management services. In December 2011, the Remaining Group had further set up Sheng Yuan Capital (Hong Kong) Limited, which was approved as a licensed corporation under the SFO to engage in Type 6 (advising on corporate finance) regulated activities.

Significant investments, material acquisitions and disposals

There was no significant investments, material acquisitions or disposals during the Financial Year 2011.

Liquidity and financial resources

As at the end of the Financial Year 2011, cash and bank balances in general accounts maintained by the Remaining Group were approximately HK$81.8 million and cash and bank balances of trust and segregated accounts was approximately HK$1.2 million. The non-current assets of the Remaining Group amounted to approximately HK$7.2 million as at the end of the Financial Year 2011. In tandem with the Remaining Group's growth in securities trading and margin financing business, trade and other receivables and prepayments reached approximately HK$13.0 million during the Financial Year 2011 and trade and other payables and accruals reached approximately HK$5.8 million. Approximately HK$19.9 million of the Remaining Group's outstanding convertible notes have been reclassified to current liabilities during the Financial Year 2011.

As a result of all of the above, the Remaining Group's current assets and current liabilities as at the end of the Financial Year 2011 were approximately HK$96.0 million and approximately HK$25.8 million respectively. The Remaining Group has no borrowings as at 31 December 2011. The gearing of the Remaining Group, measured as total debts to total assets was approximately 53.5% as at the end of the Financial Year 2011. At the end of the Financial Year 2011, the Remaining Group recorded net assets of approximately HK$91.7 million. During the Financial Year 2011, the Remaining Group financed its operation with internally generated cash flow and funds from the prior rights issue and issuance of convertible notes.

Foreign exchange exposure

The Remaining Group's transactions were mainly denominated in Hong Kong dollars and Renminbi. Foreign exchange exposure of the Group was considered minimal as the exchange rate of Renminbi against Hong Kong dollars was relatively stable during the Financial Year 2011. Therefore, the Remaining Group did not engage in any hedging contracts during the Financial Year 2011.

Capital structure

There has been no change to the capital structure of the Remaining Group during the Financial Year 2011.

Contingent liabilities and capital commitment

As at 31 December 2011, the Remaining Group did not have any material contingent liabilities and capital commitment.

Pledge of assets

As at 31 December 2011, the obligations under finance leases of approximately HK$144,000 were pledged by the assets with carrying amount of approximately HK$160,000.

Employees and remuneration policies

As at 31 December 2011, the Remaining Group employed approximately 35 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 Remaining Group.

Future plans for material investments and acquisition of capital assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 December 2011.

(d) Business review for 2012 Interim Period

Business and financial review

For the 2012 Interim Period, revenue of the Remaining Group was approximately HK$3.3 million, which reflected the gradual development of SYSL and SYAML having made a full period of contribution during the period. Loss attributable to owners of the Remaining Group for the 2012 Interim Period was approximately HK$26.0 million. The loss recorded was mainly due to the Remaining Group's financial services platform in Hong Kong having been developing against a weak economy and financial market, which had slowed its paces towards reaching the economies of scale sufficient to overcome increased overheads incurred to support the growth in operations.

Significant investments, material acquisitions and disposals

There was no significant investments, material acquisitions or disposals during the 2012 Interim Period.

Liquidity and financial resources

As at the end of the 2012 Interim Period, cash and bank balances in general accounts maintained by the Remaining Group decreased to approximately HK$31.3 million, which was largely due to increased margin lending to brokerage clients and working capital expenditures. During the 2012 Interim Period, trade and other receivables and prepayments amounted to approximately HK$41.3 million, which mainly reflected increased margin loans to clients. As all of the Remaining Group's outstanding convertible notes were converted into shares during the 2012 Interim Period, they are no longer recorded the Remaining Group's current and non-current liabilities. As a result of all of the above, the Remaining Group's current assets and current liabilities as at the end of the 2012 Interim Period were approximately HK$73.7 million and approximately HK$3.2 million respectively. The

Remaining Group has no borrowings as at 30 June 2012. The gearing of the Remaining Group, measured as total debts to total assets was 0.2% as at the end of the 2012 Interim Period. At the end of the 2012 Interim Period, the Remaining Group recorded net assets of approximately HK$128.5 million. During the Interim Period, the Remaining Group financed its operation with internally generated cash flow and funds from the prior rights issue and issuance of convertible notes.

Foreign exchange exposure

The Remaining Group's transactions were mainly denominated in Hong Kong dollars and Renminbi. Foreign exchange exposure of the Remaining Group is considered minimal as the exchange rate of Renminbi against Hong Kong dollars was relatively stable during the 2012 Interim Period. Therefore, the Remaining Group did not engage in any hedging contracts during the 2012 Interim Period.

Capital structure

During the 2012 Interim Period, a total of 433,610,000 ordinary shares at par value of HK$0.1 each were issued as a result of conversion of the 5% Notes and 2% Notes in April 2012 with aggregate principal amount of HK$60,018,000.

Contingent liabilities and capital commitment

As at 30 June 2012, the Remaining Group did not have any material contingent liabilities and capital commitment.

Pledge of assets

As at 30 June 2012, the obligations under finance leases of approximately HK$125,000 were pledged by the assets with carrying amount of HK$145,000.

Employees and remuneration policies

As at 30 June 2012, the Remaining Group employed approximately 38 employees. The remuneration policy and package of the Remaining 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 Remaining Group.

Future plans for material investments and acquisition of capital assets

There was no specific plan for material investments and acquisition of material capital assets as at 30 June 2012.

REPORT ON REVIEW OF UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF SHENG YUAN HOLDINGS LIMITED
盛源控股有限公司

INTRODUCTION

We have reviewed the unaudited consolidated financial information of Goodness Come Investments Limited and its subsidiaries (collectively referred to as the "Disposal Group") set out on pages II-3 to II-10 which comprises the unaudited consolidated statements of financial position as of 30 April 2010 and 2011, 31 December 2011 and 30 June 2012 and the related unaudited consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the two years ended 30 April 2010 and 2011, the eight months ended 31 December 2011 and the six months ended 30 June 2012 and certain explanatory notes (altogether the "Unaudited Consolidated Financial Information"). The directors of Sheng Yuan Holdings Limited ("Sheng Yuan") are responsible for the preparation and presentation of the Unaudited Consolidated Financial Information in accordance with Rule 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the basis of preparation is set out in note 2 to the Unaudited Consolidated Financial Information. The Unaudited Consolidated Financial Information is prepared solely for the purpose of inclusion in the circular to be issued by Sheng Yuan in connection with the Disposal as defined in note 1 to the Unaudited Consolidated Financial Information. The Unaudited Consolidated Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" nor a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibility is to express a conclusion on the Unaudited Consolidated Financial Information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the Unaudited Consolidated Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the Unaudited Consolidated Financial Information is not prepared, in all material respects, in accordance with the basis of preparation as set out in note 2 to the Unaudited Consolidated Financial Information.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
3 December 2012

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR EACH OF THE TWO YEARS ENDED 30 APRIL 2010 AND 2011, THE EIGHT MONTHS ENDED 31 DECEMBER 2011 AND THE SIX MONTHS ENDED 30 JUNE 2012

	Year ended 30 April		Eight months ended 31 December	Six months ended	
				31 October	30 June
	2010	**2011**	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	–	32,211	45,794	28,237	39,887
Other income	–	29	372	267	299
Purchase of inventories for trading businesses	–	(31,554)	(44,515)	(27,419)	(38,083)
Salaries, commission and related benefits	–	–	(252)	(152)	(358)
Depreciation	–	–	(444)	(268)	(679)
Other administrative expenses	(5)	(992)	(3,171)	(2,021)	(1,979)
Loss before taxation	(5)	(306)	(2,216)	(1,356)	(913)
Taxation	–	–	–	–	–
Loss for the year/period	(5)	(306)	(2,216)	(1,356)	(913)
Other comprehensive income (expense) for the year/period					
Exchange difference arising on translation of foreign operation	–	692	843	816	(449)
Total comprehensive (expense) income for the year/period	(5)	386	(1,373)	(540)	(1,362)

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 APRIL 2010 AND 2011, 31 DECEMBER 2011 AND 30 JUNE 2012

	As at 30 April		As at 31 December	As at 30 June
	2010	2011	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	–	13	3,266	4,352
Investment properties	–	11,306	11,542	11,423
	–	11,319	14,808	15,775
Current assets				
Trade and other receivables and prepayments	–	7,429	20,408	29,021
Bank balances and cash	–	12,591	22,200	18,687
	–	20,020	42,608	47,708
Current liabilities				
Trade and other payables and accruals	–	174	8,956	16,385
Amount due to ultimate holding company	16	30,795	49,463	49,463
	16	30,969	58,419	65,848
Net current liabilities	(16)	(10,949)	(15,811)	(18,140)
	(16)	370	(1,003)	(2,365)
Capital and reserves				
Share capital	–	–	–	–
Reserves	(16)	370	(1,003)	(2,365)
	(16)	370	(1,003)	(2,365)

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR EACH OF THE TWO YEARS ENDED 30 APRIL 2010 AND 2011, THE EIGHT MONTHS ENDED 31 DECEMBER 2011 AND THE SIX MONTHS ENDED 30 JUNE 2012

	Share capital	Translation reserve	Accumulated losses	Total
	HK$'000 *(note)*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2009	–	–	(11)	(11)
Loss and total comprehensive expense for the year	–	–	(5)	(5)
At 30 April 2010	–	–	(16)	(16)
Loss for the year	–	–	(306)	(306)
Exchange differences arising on translation	–	692	–	692
Total comprehensive income (expense) for the year	–	692	(306)	386
At 30 April 2011	–	692	(322)	370
Loss for the period	–	–	(2,216)	(2,216)
Exchange differences arising on translation	–	843	–	843
Total comprehensive income (expense) for the period	–	843	(2,216)	(1,373)
At 31 December 2011	–	1,535	(2,538)	(1,003)
Loss for the period	–	–	(913)	(913)
Exchange differences arising on translation	–	(449)	–	(449)
Total comprehensive expense for the period	–	(449)	(913)	(1,362)
At 30 June 2012	–	1,086	(3,451)	(2,365)

	Share capital *HK$'000* *(note)*	Translation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 May 2011	–	692	(322)	370
Loss for the period	–	–	(1,356)	(1,356)
Exchange differences arising on translation	–	816	–	816
Total comprehensive income (expense) for the period	–	816	(1,356)	(540)
At 31 October 2011	–	1,508	(1,678)	(170)

Note: The issued share capital of Goodness Come Investments Limited ("Goodness Come") is HK$8.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR EACH OF THE TWO YEARS ENDED 30 APRIL 2010 AND 2011, THE EIGHT MONTHS ENDED 31 DECEMBER 2011 AND THE SIX MONTHS ENDED 30 JUNE 2012

	Year ended 30 April		Eight months ended 31 December	Six months ended 31 October	30 June
	2010	**2011**	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES					
Loss before taxation	(5)	(306)	(2,216)	(1,356)	(913)
Adjustments for:					
Interest income	–	(11)	(57)	(37)	(43)
Depreciation of property, plant and equipment	–	23	444	268	679
Release of prepaid lease payment	–	89	–	–	–
Operating cash flows before movements in working capital	(5)	(205)	(1,829)	(1,125)	(277)
Increase in trade and other receivables and prepayments	–	(7,429)	(12,979)	(20,415)	(8,613)
Increase in trade and other payables and accruals	–	174	8,782	22,133	7,429
Cash (used in) generated from operations	(5)	(7,460)	(6,026)	593	(1,461)
Interest received	–	11	57	37	43
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(5)	(7,449)	(5,969)	630	(1,418)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	–	(2,106)	(3,699)	(3,694)	(1,880)
Addition of prepaid lease payment	–	(8,978)	–	–	–
CASH USED IN INVESTING ACTIVITIES	–	(11,084)	(3,699)	(3,694)	(1,880)
CASH FROM FINANCING ACTIVITY					
Advance from ultimate holding companies	5	30,779	18,668	18,668	–

	Year ended 30 April 2010	2011	Eight months ended 31 December 2011	Six months ended 31 October 2011	30 June 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	–	12,246	9,000	15,604	(3,298)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	–	–	12,591	12,591	22,200
Effect of foreign exchange rate changes	–	345	609	594	(215)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	–	12,591	22,200	28,789	18,687

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR EACH OF THE TWO YEARS ENDED 30 APRIL 2010 AND 2011, THE EIGHT MONTHS ENDED 31 DECEMBER 2011 AND THE SIX MONTHS ENDED 30 JUNE 2012

1. GENERAL

Goodness Come is a company incorporated in British Virgin Islands as an exempted company with limited liability. Goodness Come and its subsidiaries (collectively referred to as the "Disposal Group") are principally engaged in trading of electrical products and copper concentrate and telecommunication equipment in the People's Republic of China.

On 31 October 2012, Sheng Yuan Holdings Limited (the "Company") entered into an agreement with Mr. Hu Yishi ("Mr. Hu") as guarantor and Morich International Investments Limited (the "Purchaser"), wholly-owned company by Mr. Hu who is the ultimate controlling shareholder and his spouse is the chairlady of the Company, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire equity interest of Goodness Come for a cash consideration of US$1 and the Purchaser will repay the entire shareholder's loan to the Company (the "Disposal").

During the eight months ended 31 December 2011, the reporting period end of the Disposal Group was changed from 30 April to 31 December because the directors of the Company and Goodness Come determined to bring the annual reporting period end of the Disposal Group in line with the financial year end of the Company. Accordingly, the unaudited consolidated statement of comprehensive income, unaudited consolidated statement of changes in equity, unaudited consolidated statement of cash flows for the eight months ended 31 December 2011 have been included. Also, the corresponding comparative information for the unaudited consolidated statement of comprehensive income, unaudited consolidated statement of changes in equity, unaudited consolidated statement of cash flows for the six months ended 30 June 2012 cover a six month period from 1 May 2011 to 31 October 2011.

2. BASIS OF PRESENTATION OF THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

The unaudited consolidated financial information of the Disposal Group for each of the two years ended 30 April 2010 and 2011, the eight months ended 31 December 2011 and the six months ended 30 June 2012 (together the "Unaudited Consolidated Financial Information") has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purpose of inclusion in the circular to be issued by the Company in connection with the Disposal.

The amounts included in the Unaudited Consolidated Financial Information have been recognised and measured in accordance with the relevant accounting policies of the Company adopted in the preparation of the consolidated financial statements of the Company and its subsidary for the relevant years or periods, which conform with Hong

Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The Unaudited Consolidated Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 ''Presentation of Financial Statements'' nor a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. In addition, for the purpose of the preparation of the Unaudited Consolidated Financial Information, the comparative financial information for the year ended 30 April 2009 has not been presented.

3. BASIS OF PREPARATION OF THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

In preparing the Unaudited Consolidated Financial information, the directors of the Company (the "Directors") have given careful consideration to the future liquidity of the Disposal Group. While recognising that the Disposal Group had net current liabilities and net liabilities of HK$18,140,000 and HK$2,365,000, respectively, as at 30 June 2012 which were primarily attributable to the advance from the ultimate holding company, the Directors are satisfied that the Disposal Group will be able to meet in full its financial obligations as they fall due in the foreseeable future as the ultimate holding company of the Disposal Group has agreed to provide adequate funds to the Disposal Group until the date of Disposal. In addition, upon completion of the Disposal, the advance from ultimate holding company will be transferred to the Purchaser as an amount due to the new shareholder. The Purchaser has agreed to provide continued financial support to the Disposal Group to ensure the Disposal Group to meet its financial obligations as and when they fall due upon the successful completion of the Disposal.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Basis of preparation of the unaudited pro forma financial information of the Remaining Group

The unaudited pro forma financial information of the Remaining Group ("Unaudited Pro Forma Financial Information") has been prepared to illustrate the effect of the Disposal.

The Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It has been prepared by the Directors of Sheng Yuan Holdings Limited for illustrative purpose.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2012 as extracted from the published 2012 interim report of the Company for the six months ended 30 June 2012, after making pro forma adjustments relating to the Disposal, as if the Disposal had been completed on 30 June 2012.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the unaudited consolidated statement of comprehensive income and the unaudited consolidated statement of cash flows of the Group for the six months ended 30 June 2012 as extracted from the published 2012 interim report of the Company for the six months ended 30 June 2012, after making pro forma adjustments relating to the Disposal, as if the Disposal had been completed on 1 January 2012.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates and uncertainties. Accordingly, because of its nature, it does not purport to predict what the results or cash flows of the Remaining Group will be after the Disposal or the financial position that will be attained upon completion of the Disposal.

Unaudited Pro Forma Consolidated Statement of Financial Position

	The Group as at 30 June 2012	Pro forma adjustments for the Disposal		The Remaining Group as at 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	
Non-current assets				
Property, plant and equipment	7,931	(4,352)	–	3,579
Investment properties	11,423	(11,423)	–	–
Deposit paid for application of trading right	2,000	–	–	2,000
Trading rights	2,822	–	–	2,822
Statutory deposits	205	–	–	205
	24,381	(15,775)	–	8,606
Current assets				
Trade and other receivables and prepayments	70,304	(29,021)	–	41,283
Amount due from Disposal Group	–	49,463	(49,463)	–
Bank balances (trust and segregated accounts)	1,168	–	–	1,168
Bank balances (general accounts) and cash	49,981	(18,687)	47,113	78,407
	121,453	1,755	(2,350)	120,858
Current liabilities				
Trade and other payables and accruals	19,591	(16,385)	–	3,206
Obligations under finance leases - due within one year	37	–	–	37
	19,628	(16,385)	–	3,243
Net current assets	101,825	18,140	(2,350)	117,615
Total asset less current liabilities	126,206	2,365	(2,350)	126,221
Capital and reserves				
Share capital	161,201	–	–	161,201
Share premium and reserves	(35,083)	–	15	(35,068)
	126,118	–	15	126,133
Non-current liabilities				
Obligations under finance leases - due after one year	88	–	–	88
	126,206	–	15	126,221

Unaudited Pro Forma Consolidated Statement of Comprehensive Income

	The Group for the six months ended 30 June 2012	Pro forma adjustments for the Disposal		The Remaining Group for the six months ended 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 4*	*Note 5*	
Continuing operations				
Revenue	43,151	(39,887)	–	3,264
Other income	302	(299)	–	3
Purchase of inventories for trading businesses	(38,083)	38,083	–	–
Salaries, commission and related benefits	(20,494)	358	–	(20,136)
Depreciation	(1,390)	679	–	(711)
Finance costs	(1,775)	–	–	(1,775)
Other administrative expenses	(8,639)	1,979	–	(6,660)
Loss before taxation	(26,928)	913	–	(26,015)
Taxation	–	–	–	–
Loss for the period from continuing operations	(26,928)	913	–	(26,015)
Discontinued operations				
Gain on disposal of subsidiaries	–	–	188	188
Loss for the period	(26,928)	913	188	(25,827)
Other comprehensive expense for the period:				
Exchange difference arising on translation of foreign operation	(461)	–	1,535	1,074
Total comprehensive expense for the period attributable to owners of the Company	(27,389)	913	1,723	(24,753)

Unaudited Pro Forma Condensed Consolidated Statement of Cash Flows

	The Group for the six months ended 30 June 2012	Pro forma adjustments for the Disposal		The Remaining Group for the six months ended 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 6*	*Note 7*	
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(49,856)	1,418	–	(48,438)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(1,917)	1,880	–	(37)
Deposit paid for application of trading right	(2,000)	–	–	(2,000)
Net cash inflow from disposal of the Disposal Group and the Sale Loan	–	–	24,913	24,913
CASH (USED IN) FROM INVESTING ACTIVITIES	(3,917)	1,880	24,913	22,876
CASH USED IN FINANCING ACTIVITY				
Repayment of obligations under finance leases	(19)	–	–	(19)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(53,792)	3,298	24,913	(25,581)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	104,019	–	–	104,019
Effect of foreign exchange rate changes	(246)	215	–	(31)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	49,981	3,513	24,913	78,407

Notes:

1) Figures are extracted from the unaudited condensed financial statements of the Group as set out in the interim report of the Company for the six months ended 30 June 2012.

2) The adjustments represents the exclusion of assets and liabilities of the Disposal Group assuming the Disposal had taken place on 30 June 2012. Figures are extracted from the unaudited consolidated financial information of the Disposal Group for the six months ended 30 June 2012. In addition, since the Sale Loan due from the Disposal Group to Sheng Yuan would be purchased in full by the Purchaser in accordance with the relevant sale and purchase agreement dated 31 October 2012, the Sale Loan of HK$49,463,000 has been reinstated as a current asset (Sale Loan is defined in note 3 below).

3) The adjustment reflects the disposal of the amount due to a shareholder of Sheng Yuan Holdings Limited on a dollar for dollar basis which is payable in cash (the "Sale Loan") and a gain on disposal of the Disposal Group, assuming the Disposal had been taken place on 30 June 2012. Proforma gain on disposal of the Disposal Group is calculated as follows:

	HK$'000
Consideration - Disposal Group *(note i)*	–
Less:	
Estimated direct expenses in relation to the Disposal	(2,350)
	(2,350)
Net liabilities of the Disposal Group *(note ii)*	2,365
Cumulative translation gain reclassified from equity to profit or loss upon completion of the Disposal *(note iii)*	1,086
Estimated proforma gain on disposal of the Disposal Group	1,101

Notes:

(i) The Group entered into a sale and purchase agreement with the Purchaser, pursuant to which, the Group has conditionally agreed to dispose of the Disposal Group for a cash consideration of US$1 (equivalent to approximately HK$8). Also, as explained in note 2 above, the Sale Loan would be purchased in full by the Purchaser from Sheng Yuan, an adjustment of HK$47,113,000 has been made to the Group's bank balances and cash to reflect the cash consideration received on the disposal of the Disposal Group and the receipt of Sale Loan of HK$49,463,000 less estimated direct expenses in relation to the Disposal of HK$2,350,000.

(ii) The net liabilities of the Disposal Group were extracted from the unaudited consolidated financial information of the Disposal Group for the six months ended 30 June 2012. The estimated gain on disposal of the Disposal Group may be different as it will be determined based on the actual financial position of the Disposal Group at date of the disposal.

(iii) In accordance with Hong Kong Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates", upon the disposal of the Group's entire interest in a foreign operation, all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss.

(iv) The adjustment to the Group's reserve of HK$15,000 represents the proforma gain on disposal of the Disposal Group of HK$1,101,000 (see above) less the cumulative translation gain of HK$1,086,000 reclassified from equity to profit or loss upon the Disposal.

4) The adjustment represents the exclusion of the results of the Disposal Group for the six months ended 30 June 2012, assuming the Disposal had taken place on 1 January 2012. Figures are extracted from the unaudited consolidated financial information of the Disposal Group for the six months ended 30 June 2012.

5) The adjustment reflects the proforma gain on disposal of the Disposal Group assuming the Disposal had been taken place on 1 January 2012. Proforma gain on disposal of the Disposal Group is calculated as follows:

	HK$'000
Consideration - Disposal Group *(note i)*	–
Less:	
Estimated direct expenses in relation to the Disposal	(2,350)
	(2,350)
Net liabilities of the Disposal Group *(note ii)*	1,003
Cumulative translation gain reclassified from equity to profit or loss upon completion of the Disposal *(note iii)*	1,535
Estimated proforma gain on disposal of the Disposal Group	188

Notes:

(i) See note 3(i) above.

(ii) The net liabilities of the Disposal Group as at 1 January 2012 were HK$1,003,000.

(iii) See note 3(iii) above. The carrying amount of translation gain attributable to the Disposal Group as at 1 January 2012 was HK$1,535,000.

(iv) The estimated gain on disposal of the Disposal Group has no impact on the net cash (used in) from operating activities as set out in the unaudited pro forma condensed consolidated statement of cash flow.

6) The adjustment represents the exclusion of the cash flows of the Disposal Group for six months ended 30 June 2012, assuming the Disposal had taken place on 1 January 2012. Figures are extracted from the unaudited consolidated financial information of the Disposal Group for the six months ended 30 June 2012.

7) The adjustments reflect net cash inflow from the disposal of the Disposal Group and the Sale Loan assuming the Disposal had been taken place on 1 January 2012 and is calculated as follows:

	HK$'000
Consideration for the disposal of the Disposal Group and the Sale Loan	49,463
Estimated direct expenses in relation to the disposal of the Disposal Group	(2,350)
Bank balances and cash of the Disposal Group as at 1 January 2012	(22,200)
	24,913

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

TO THE DIRECTORS OF SHENG YUAN HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Sheng Yuan Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the disposal of the entire equity interest in Goodness Come Investments Limited might have affected the financial information presented, for inclusion in Appendix III of the circular dated 3 December 2012 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in Appendix III to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 June 2012 or any future date or the results and cash flows of the Group for the six months ended 30 June 2012 or any future period.

OPINION

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
3 December 2012

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in the compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's interest

As at the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules, were as follows:

Long positions

Name of Director	Name of company in which interests were held	Capacity	Number of shares held	Approximate percentage of shareholding
Ms. Lin	The Company	Interests of spouse	735,154,800 *(Note)*	45.60%

Note: Ms. Lin, the spouse of Mr. Hu, is deemed under the SFO to be interested in the 735,154,800 Shares which Mr. Hu is deemed to be interested.

Long positions in the underlying shares by virtue of the share options

Name of Directors	Name of company in which interests were held	Capacity	Number of underlying Shares	Approximate percentage of shareholding
Ms. Lin	The Company	Beneficial owner	8,900,000	0.55%
Mr. Yip Kar Hang, Raymond	The Company	Beneficial owner	11,000,000	0.68%
Ms. Kwong Wai Man, Karina	The Company	Beneficial owner	10,000,000	0.62%
Mr. Cheung Kwok Keung	The Company	Beneficial owner	600,000	0.04%
Mr. Lam Kam Tong	The Company	Beneficial owner	600,000	0.04%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules.

(b) Substantial shareholders' interest

Save as disclosed below, the Directors and the chief executive of the Company were not aware that there was any person who, as at the Latest Practicable Date, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in ten per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2011, being the date to which the latest audited consolidated accounts of the Group was made up) or had options in respect of such capital:

Long positions

Name	Name of company in which interests or short positions were held	Nature of interests	Number of shares	Approximate percentage of shareholding
Front Riches Investments Limited *(Note 1)*	The Company	Beneficial owner	735,154,800 Shares	45.60%
Mr. Hu *(Note 2)*	The Company	Interest in controlled corporation	735,154,800 Shares	45.60%
		Interest in spouse	8,900,000 Shares	0.55%

Notes:

1. Front Riches Investments Limited is a corporation controlled by Mr. Hu, whose spouse, Ms. Lin, is an executive Director and chairlady of the Company.

2. Out of 744,054,800 Shares, 735,154,800 Shares are held by Front Riches Investments Limited, a corporation controlled by Mr. Hu, and 8,900,000 Shares are the Shares to be allotted and issued upon exercise of the options granted to Ms. Lin, spouse of Mr. Hu. Thus, Mr. Hu is deemed to be interested in 744,054,800 Shares under the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2011, being the date to which the latest audited consolidated accounts of the Group were made up) or who had any options in respect of such capital.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors and their respective associates had interests in businesses apart from the Group's businesses which competed, or might compete, either directly or indirectly, with the businesses of the Group.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2011, being the date to which the latest audited consolidated accounts of the Group was made up) (save for (i) the underwriting agreement dated 21 January 2011 entered into between the Company and Front Riches Investments Limited in respect of the issue of two rights shares for every five Shares held on 1 March 2011 at HK$0.42 per rights share (being a material contract referred to in Item 2 in the paragraph headed "Material Contracts" of this Appendix) for which Ms. Lin is considered to be interested in by virtue of the fact that Front Riches Investments Limited, is a corporation controlled by Ms. Lin's spouse; and (ii) the Agreement for which Ms. Lin is considered to be interested in by virtue of the fact that the Purchaser is a corporation controlled by Ms. Lin's spouse).

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2011 (being the date up to which the latest audited financial statements of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2011, being the date to which the latest audited consolidated accounts of the Group was made up).

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2011, being the date to which the latest audited consolidated accounts of the Group was made up) which does not expire or is not terminable by such member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2011, being the date to which the latest audited consolidated accounts of the Group was made up) within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2011, being the date to which the latest audited consolidated accounts of the Group was made up) was engaged in any material litigation or claims and, so far as the Directors were aware, no material litigation or claims were pending or threatened by or against any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2011, being the date to which the latest audited consolidated accounts of the Group was made up).

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2011, being the date to which the latest audited consolidated accounts of the Group was made up) within the two years immediately preceding the date of this circular and ending on the Latest Practicable Date and is or may be material:

1. the conditional sale and purchase agreement dated 17 January 2011 entered into between Sheng Yuan Financial Services Group Limited, a company incorporated in the BVI with limited liability and a wholly owned subsidiary of the Company and Global Strategy International Limited, a company incorporated in the BVI with limited liability and a wholly owned subsidiary of Kai Yuan Holdings Limited in relation to the acquisition of Kai Yuan Securities Limited (now renamed Sheng Yuan Securities Limited), a company incorporated in Hong Kong at a cash consideration of HK$17,700,000;

2. the underwriting agreement dated 21 January 2011 entered into between the Company and Front Riches Investments Limited in respect of the issue of two rights shares for every five Shares held on 1 March 2011 at HK$0.42 per rights share; and

3. the Agreement.

Save as disclosed above, there are no other contracts (not being contracts in the ordinary course of business) being entered into by the members of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2011, being the date to which the latest audited consolidated accounts of the Group was made up) within the two years immediately preceding the date of this circular and ending on the Latest Practicable Date, which are or may be material.

8. EXPERT AND CONSENT

The following is the qualification of the experts who have given their opinion or advice which are contained in this circular:

Name	Qualification
Octal Capital	a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants

Each of Octal Capital and Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of Octal Capital and Deloitte Touche Tohmatsu did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased, or was proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2011, the date to which the latest audited financial statements of the Group were made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. GENERAL INFORMATION

(a) The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton, HM II, Bermuda.

(b) The address of the head office and principal place of business of the Company in Hong Kong is Suites 4301–05, 43/F., Tower 1, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

(c) The share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The company secretary of the Company is Mr. Or Wing Keung, who is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

(e) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. (except Saturdays and public holidays) at the head office and principal place of business of the Company in Hong Kong at Suites 4301–05, 43/F., Tower 1, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, from the date of this circular up to and including the date of the SGM:

(a) the bye-laws of the Company;

(b) the material contracts referred to under the paragraph headed "Material contracts" in this Appendix;

(c) the Company's annual reports for the year ended 30 April 2011 and the eight months ended 31 December 2011, and the Company's interim report for the six months ended 30 June 2012;

(d) the letter of advice from Independent Financial Adviser, the text of which is set out in this circular;

(e) the Agreement;

(f) the review report from Deloitte Touche Tohmatsu on the financial information of the Disposal Group as set out in Appendix II to this circular;

(g) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(h) the written consents referred to under "Expert and consent" in this Appendix; and

(i) this circular.

盛源控股有限公司

SHENG YUAN HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 851)

NOTICE IS HEREBY GIVEN that special general meeting (the "**SGM**") of Sheng Yuan Holdings Limited (the "**Company**") will be held at Board Room, 1st Floor, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong at 9:30 a.m. on 19 December 2012 for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(i) the sale and purchase agreement (the "**SP Agreement**", a copy of which has been produced to the meeting marked "A" and signed by the chairman of the meeting for the purpose of identification) dated 31 October 2012 entered into between Morich International Investments Limited, Sheng Yuan Holdings Limited (the "**Company**") and Mr. Hu Yishi in relation to the sale and purchase of the entire issued share capital (the "**Sale Share**") of Goodness Come Investments Limited ("**GCIL**") and the shareholder's loan (the "**Sale Loan**") owing by GCIL to the Company upon completion ("**Completion**") of the SP Agreement at the consideration for the Sale Share of US$1 and the consideration for the Sale Loan be its face value on the date of Completion on a dollar-for-dollar basis be and are hereby approved, confirmed and ratified; and

(ii) the directors of the Company be and are hereby authorised on behalf of the Company to do all such things and sign, seal, execute, perfect and deliver all such documents as they may in their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or give effect to any matters relating to the SP Agreement (including but not limited to entering into any supplemental or variation agreement thereto) and the transactions contemplated thereunder."

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

Hong Kong, 3 December 2012

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the share registrars of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).

4. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

6. As at the date of this notice, the board of directors of the Company consists of Ms. Lin Min, Mr. Yip Kar Hang, Raymond and Ms. Kwong Wai Man, Karina (all being executive directors), Mr. Cheung Kwok Keung, Mr. Lam Kam Tong and Mr. Qi Wenju (all being independent non-executive directors).