



盛源控股有限公司

SHENG YUAN HOLDINGS LIMITED

Stock Code: 851

Interim Report 2009

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Corporate Information

BOARD OF DIRECTORS (THE "BOARD")

Executive Directors

Ms. Lin Min (Chairman)

Mr. Yip Kar Hang, Raymond

Independent non-executive Directors

Mr. Chan Ho Sun, Sunny

Mr. Cheung Kwok Keung

Mr. Lau On Kwok

AUDIT COMMITTEE

Mr. Chan Ho Sun, Sunny

Mr. Cheung Kwok Keung

Mr. Lau On Kwok

REMUNERATION COMMITTEE

Mr. Chan Ho Sun, Sunny

Mr. Cheung Kwok Keung

Mr. Lau On Kwok

COMPANY SECRETARY

Mr. Or Wing Keung

STOCK CODE

851

WEBSITE

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Bermuda

SHARE REGISTRAR

Tricor Tengis Limited

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Hong Kong

REGISTERED OFFICE

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Hamilton HM11

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Wanchai

Hong Kong

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

35th Floor, One Pacific Place

88 Queensway

Hong Kong

SOLICITORS

Kirkpatrick & Lockhart Preston Gates

Ellis Solicitors

35th Floor

Two International Finance Centre

8 Finance Street, Central

Hong Kong

PRINCIPAL BANKERS

The Hong Kong & Shanghai Banking
Corporation Limited

Hang Seng Bank

Report on Review of Interim Financial Information



TO THE BOARD OF DIRECTORS OF SHENG YUAN HOLDINGS LIMITED

盛源控股有限公司

(FORMERLY KNOWN AS MAE HOLDINGS LIMITED 建美集團有限公司)

Introduction

We have reviewed the interim financial information set out on pages 5 to 19, which comprises the condensed consolidated statement of financial position of Sheng Yuan Holdings Limited (the "Company") and its subsidiaries (the "Group") as of 31 October 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim 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 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 interim 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period ended 31 October 2008 and the relevant explanatory notes disclosed in the interim financial information have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong
19 January 2010

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 October 2009

		Six months ended 31 October 2009 HK\$'000 (unaudited)	31 October 2008 HK\$'000 (unaudited)
	NOTES		
Continuing operations			
Revenue	3	5,967	9,251
Cost of sales		(5,824)	(9,006)
Gross profit		143	245
Other income		–	14
Administrative expenses		(11,516)	(1,826)
Finance costs		(1,928)	(2,189)
Loss before taxation		(13,301)	(3,756)
Taxation	4	–	–
Loss for the period from continuing operations	5	(13,301)	(3,756)
Discontinued operations			
Profit for the period from discontinued operations	14	–	38,601
(Loss) profit for the period and total comprehensive (expense) income for the period attributable to owners of the Company		(13,301)	34,845
(Loss) earnings per share	7		
From continuing and discontinued operations			
Basic and diluted		HK\$(0.02)	HK\$0.16
From continuing operations			
Basic and diluted		HK\$(0.02)	HK\$(0.02)

Condensed Consolidated Statement of Financial Position

At 31 October 2009

	NOTES	31 October 2009 HK\$'000 (unaudited)	30 April 2009 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	385	184
Current assets			
Trade and other receivables and prepayments	9	8,481	14,550
Bank balances and cash		1,254	2,956
		9,735	17,506
Current liabilities			
Trade and other payables and accruals	10	10,363	14,180
Net current (liabilities) assets		(628)	3,326
Total asset less current liabilities		(243)	3,510
Capital and reserves			
Share capital	11	69,172	54,172
Reserves		(99,212)	(95,483)
Net deficit		(30,040)	(41,311)
Non-current liabilities			
Convertible bonds	12	29,797	44,821
		(243)	3,510

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 October 2009

	Attributable to owners of the Company									
	Share capital	Share premium	Shareholder's contribution	Other reserve	Share option reserve	Merger reserve	Capital redemption reserve	Convertible bonds reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2009 (audited)	54,172	33,616	7,834	-	-	-	477	9,766	(147,176)	(41,311)
Loss for the period and total comprehensive expense for the period	-	-	-	-	-	-	-	-	(13,301)	(13,301)
Shares issued upon conversion of convertible bonds	15,000	4,235	-	-	-	-	-	(3,407)	-	15,828
Equity settled share based payments	-	-	-	-	8,744	-	-	-	-	8,744
At 31 October 2009 (unaudited)	69,172	37,851	7,834	-	8,744	-	477	6,359	(160,477)	(30,040)
At 1 May 2008 (audited)	14,367	5,129	7,834	31,200	-	758	477	43,497	(179,160)	(75,898)
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	-	-	34,845	34,845
Shares issued upon conversion of convertible bonds	10,800	8,369	-	(9,310)	-	-	-	(9,765)	-	94
Transfer	-	-	-	-	-	(758)	-	-	758	-
At 31 October 2008 (unaudited)	25,167	13,498	7,834	21,890	-	-	477	33,732	(143,557)	(40,959)

Note: The merger reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for their acquisition at the time of group reorganisation in 1998. The subsidiaries had been disposed during the prior period and therefore the merger reserve had been transferred to accumulated losses.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 October 2009

		Six months ended 31 October 2009 HK\$'000 (unaudited)	31 October 2008 HK\$'000 (unaudited)
	NOTE		
NET CASH USED IN OPERATING ACTIVITIES		(1,408)	(8,230)
CASH USED IN INVESTING ACTIVITIES			
Proceeds from disposal of subsidiaries	14	–	(13)
Purchase of property, plant and equipment		(294)	(35)
		(294)	(48)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,702)	(8,278)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD		2,956	15,728
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH		1,254	7,450

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 October 2009

1. BASIS OF PREPARATION

The Company is an investment holding company. Its subsidiaries are principally engaged in trading of electrical products and copper concentrate. In prior period, the Group was also engaged in manufacturing and trading of adaptors and transformers which was discontinued in prior period.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group’s net liabilities of approximately HK\$30,040,000 as at 31 October 2009 and its recurring loss from continuing operations. The controlling shareholder of the Company has committed to provide adequate funds for the Group to meet its liabilities as they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 April 2009.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments or interpretations ("new and revised HKFRSs") issued by HKICPA.

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 24 (Revised)	Related party disclosures ³
HKAS 27 (Revised 2008)	Consolidated and separate financial statements ¹
HKAS 32 (Amendment)	Classification of rights issues ⁴
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ⁵
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions ⁵
HKFRS 3 (Revised 2008)	Business combinations ¹
HKFRS 9	Financial instruments ⁶
HK(IFRIC) – INT 14 (Revised)	Prepayments of a minimum funding requirement ³
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners ¹
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments ⁷

¹ Effective for annual periods beginning on or after 1 July 2009.

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2011.

⁴ Effective for annual periods beginning on or after 1 February 2010.

⁵ Effective for annual periods beginning on or after 1 January 2010.

⁶ Effective for annual periods beginning on or after 1 January 2013.

⁷ Effective for annual periods beginning on or after 1 July 2010.

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 May 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating segments” with effect from 1 May 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, represented by the board of directors, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. In the past, the Group’s primary reporting format was business segments that was organised into three operating divisions, namely, trading of electrical products, trading of copper concentrate and manufacturing and trading of adaptors and transformers.

On 28 October 2008, the Group completed the disposal of subsidiaries engaged in the manufacturing and trading of adaptors and transformers as set out in note 14. Hence, the manufacturing and trading of adaptors and transformers are presented as discontinued operations. Detail of the discontinued operations are set out in note 14.

The application of HKFRS 8 has resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. The trading of electrical product and trading of copper concentrate operating divisions, which are carried out by one operating subsidiary of the Group, were reported previously as separate business segments but now represent a single operating segment under HKFRS 8. The financial statements of the operating subsidiary were reviewed by the board of directors to assess the performance of the trading businesses. Segment result represents the post-tax profit of the operating subsidiary. Corporate income and corporate expenses in the segment information represent income and expenses incurred by the Company. Amounts reported for the prior period have been represented to conform to the requirements of HKFRS 8.

3. SEGMENT INFORMATION *(continued)*

The following is a reconciliation of the Group's revenue and results by operating segment for the period under review to loss before taxation from continuing operations:

	Trading of electrical product and copper concentrate Six months ended	
	31 October 2009 HK\$'000	31 October 2008 HK\$'000
REVENUE		
External sales	5,967	9,251
RESULTS		
Segment results	(72)	(496)
Corporate income	–	14
Corporate expenses	(11,301)	(1,085)
Finance costs	(1,928)	(2,189)
Loss for the period	(13,301)	(3,756)

4. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements for the six months ended 31 October 2008 and 2009 as the companies comprising the Group had no assessable profits arising in Hong Kong. Hong Kong Profits Tax is 16.5% of the estimated assessable profit for the six months ended 31 October 2008 and 2009.

No provision for profits tax is made in other jurisdictions as the subsidiaries in other jurisdictions had no assessable profits for the six months ended 31 October 2008 and 2009.

5. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

The Group's loss for the period from continuing operations has been arrived at after charging:

	Six months ended	
	31 October 2009	31 October 2008
Depreciation of property, plant and equipment	93	66
Share options expense	8,744	–

6. DIVIDEND

No dividend was paid, declared or proposed during the periods. The directors do not recommend the payment of an interim dividend.

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	Six months ended	
	31 October 2009 HK\$'000 (unaudited)	31 October 2008 HK\$'000 (unaudited)
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	(13,301)	34,845

	Number of shares Six months ended	
	31 October 2009 (unaudited)	31 October 2008 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	600,412,017	220,754,113

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	Six months ended	
	31 October 2009 HK\$'000 (unaudited)	31 October 2008 HK\$'000 (unaudited)
(Loss) profit for the period attributable to the owners of the Company	(13,301)	34,845
Effect of profit for the period from discontinued operations	—	(38,601)
Loss for the purposes of basic and diluted loss per share from continuing operations	(13,301)	(3,756)

The denominators used for basic and diluted loss per share from continuing operations are the same as those detailed above for basic (loss) earnings per share from continuing and discontinued operations.

7. (LOSS) EARNINGS PER SHARE (continued)

The computation of diluted (loss) earnings per share from continuing and discontinued operations and diluted loss per share from continuing operations do not assume the conversion of the convertible bonds and exercise of share options since the conversion of convertible bonds and exercise of share options would result in a decrease in loss per share from continuing operations.

From discontinued operations

For the six months ended 31 October 2008, basic earnings per share from discontinued operations was HK\$0.18 per share based on the profit for the period from the discontinued operations of HK\$38,601,000 and the denominator detailed above for both basic and diluted (loss) earnings per share from continuing and discontinued operations. The diluted earnings per share from discontinued operations was HK\$0.04 per share based on the profit for the period from the discontinued operations of HK\$38,601,000 and the denominator of 946,715,156 shares.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 October 2008, the Group had written off certain property, plant and equipment with total carrying amount of approximately HK\$796,000, resulting in a loss on disposal of property, plant and equipment amounted to approximately HK\$796,000. No write off or disposal occurred during the six months ended 31 October 2009.

In addition, the Group acquired property, plant and equipment at an aggregate cost of approximately HK\$294,000 (2008: HK\$35,000).

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	31 October 2009 HK\$'000 (unaudited)	30 April 2009 HK\$'000 (audited)
Trade receivables	8,204	13,644
Other receivables and prepayments	277	906
	8,481	14,550

The following is an aged analysis of trade receivables net of allowance for doubtful debts at the balance sheet date:

	31 October 2009 HK\$'000 (unaudited)	30 April 2009 HK\$'000 (audited)
0-45 days	3,991	10,101
46 to 180 days	1,976	2,160
> 180 days	2,237	1,383
	8,204	13,644

The Group allows an average credit period of 45 days to its customers.

10. TRADE AND OTHER PAYABLES AND ACCRUALS

	31 October 2009 HK\$'000 (unaudited)	30 April 2009 HK\$'000 (audited)
Trade payables	7,181	12,081
Other payables and accruals	3,182	2,099
	10,363	14,180

The following is an aged analysis of trade payables as at the reporting date:

	31 October 2009 HK\$'000 (unaudited)	30 April 2009 HK\$'000 (audited)
0-180 days	5,824	12,081
> 180 days	1,357	–
	7,181	12,081

11. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value HK\$'000
Authorised:		
At 1 May 2008, 31 October 2008, 30 April 2009 and 31 October 2009	2,000,000,000	200,000
Issued and fully paid:		
At 1 May 2008	143,668,365	14,367
Conversion of convertible bonds	108,000,000	10,800
At 31 October 2008	251,668,365	25,167
Conversion of convertible bonds	265,048,000	26,505
Issue under placement	25,000,000	2,500
At 30 April 2009	541,716,365	54,172
Conversion of convertible bonds	150,000,000	15,000
At 31 October 2009	691,716,365	69,172

12. CONVERTIBLE BONDS

The movement of the liability component of the convertible bonds during the period is set out below:

	HK\$'000
At 1 May 2008	44,397
Converted during the period	(94)
Interest expenses	2,189
Interest paid	(1,906)
At 31 October 2008	44,586
Converted during the period	(231)
Interest expenses	2,590
Interest paid	(2,124)
At 30 April 2009	44,821
Converted during the period	(15,828)
Interest expenses	1,928
Interest paid	(1,124)
At 31 October 2009	29,797

13. SHARE OPTION SCHEME

The Company has a share option scheme for eligible employees of the Group. The Company granted 12,900,000 share options during the period. The share options vested immediately. No share options had been exercised during the period.

The closing price of the Company's shares immediately before 25 August 2009, the date of grant, was HK\$1.66.

The Binomial model has been used to estimate the fair value of the options as at the grant date, 25 August 2009. The fair value of the options determined at the dates of grant using the Binomial model was HK\$8,744,000.

The following assumptions were used to calculate the fair value of the share option:

Grant date share price	HK\$1.81
Exercise price	HK\$1.81
Expected life	3 years
Expected volatility	65%
Dividend yield	0%
Risk-free interest rate	1.02%

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

14. DISCONTINUED OPERATIONS

On 28 October 2008, the Group entered into a sale agreement to dispose of certain subsidiaries, Mei Ah Electrical & Industry (HK) Limited, Mei Ah Management Services Limited and Mei Ah Industrial Limited (collectively known as the "Disposal Group") which carried out all of the Group's operations related to manufacturing and trading of adaptors and transformers. The disposal was effected in order to focus the resources of the Group on its electrical products trading and copper concentrate trading operations. The disposal resulted in a gain on disposal of HK\$40,567,000 and was completed on the same date, on which date control of the Disposal Group was passed to the acquirer, Good Ethic Limited, a company incorporated in British Virgin Islands and an independent third party of the Group.

The (loss) gain for the period ended 31 October 2008 from the discontinued operation is analysed as follows:

	Six months ended 31 October 2008 HK\$'000 (unaudited)
Loss of manufacturing and trading of adaptors and transformers operation for the period	(1,966)
Gain on disposal of manufacturing and trading of adaptors and transformers operation	40,567
	<u>38,601</u>

The results for the period from 1 May 2008 to 28 October 2008, which have been included in the condensed consolidated statement of comprehensive income for the six months period ended 31 October 2008, were as follows:

	Period from 1.5.2008 to 28.10.2008 HK\$'000
Administrative expenses	(1,170)
Loss on write off of property, plant and equipment	(796)
Loss before taxation	(1,966)
Taxation	—
Loss for the period	<u>(1,966)</u>

14. DISCONTINUED OPERATIONS *(continued)*

The net liabilities of the Disposal Group at the date of disposal were as follows:

	HK\$'000
Total net liabilities of the Disposal Group	(40,566)
Gain on disposal of the Disposal Group	40,567
<hr/>	
Total consideration settled by cash	1
<hr/>	
Net cash outflow arising on disposal of subsidiaries:	
Cash consideration	1
Bank balances and cash disposed of	(14)
<hr/>	
	(13)
<hr/>	

15. EVENT AFTER THE END OF THE INTERIM PERIOD

The Company and Front Riches Investments Limited ("Front Riches"), the ultimate holding company of the Group incorporated in the British Virgin Islands, entered into a convertible notes subscription agreement on 13 April 2009 and supplemental subscription agreement on 22 April 2009 to subscribe in cash for the convertible notes in the principal amount of HK\$44,417,600 with interest at 2% per annum. On 17 November 2009, the Company issued convertible notes of principal amount HK\$5,152,000. Pursuant to the agreements, subscription of the remaining convertible notes of HK\$39,265,600 by Front Riches is to be completed on or before 11 June 2010.

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 31 October 2009 (six months ended 31 October 2008: Nil).

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

For the six months ended 31 October 2009 (the "Period"), revenue of the Group was approximately HK\$5,967,000, representing a decrease of 35% from that of the six months ended 31 October 2008 (the "Comparable Period") (approximately HK\$9,251,000). The decrease was due to a decrease in revenue from the Group's trading of electrical products and copper concentrate under the challenging economic environment. Net loss of HK\$13,301,000 was recorded for the Period, as compared with net profit of approximately HK\$34,845,000 for the Comparable Period. The profit of the Comparable period was mainly due to the significant contribution of profit of approximately HK\$38,601,000 from the disposal and operation of discontinued operations recognized for the Comparable Period. During the Period, the Group recorded a loss from continuing operations of approximately HK\$13,301,000, as compared with approximately a loss of HK\$3,756,000 for the Comparable Period. The increase in loss from continuing operations was resulted after accounting for an increase in administrative expenses mainly attributable to i) share-based payments in the amount of HK\$8,744,000 incurred for the issuance of options to newly recruited staff and directors of the Company (the "Directors"); and ii) legal and advisory expenses incurred for the Group's change of controlling shareholder and associated fundraising exercise during the Period. If the above factors are to be excluded, the net loss from operations of the Group of the Period would be approximately HK\$3,885,000, which is in line with the net loss from operations of the Comparable Period.

As Front Riches Investment Limited ("Front Riches") entered into sale and purchase agreements with the then controlling shareholders to acquire controlling interests in the Company (including ordinary shares and convertible notes) on 13 April 2009, a mandatory unconditional general offer was made and was completed on 3 June 2009. The Company and Front Riches also entered into a subscription agreement and a supplemental subscription agreement on 13 April 2009 and 22 April 2009 respectively in relation to the issuance of convertible notes in the aggregate principle amount of HK\$44,417,600, which serves to provide the Group with financial resources for seeking future business opportunities. The subscription agreements were approved by shareholders in a special general meeting on 8 June 2009 and convertible notes of HK\$5,152,000 were issued on 17 November 2009. Pursuant to the agreements, subscription of the remaining convertible notes of HK\$39,265,600 by Front Riches is to be completed on or before 11 June 2010. In August 2009, Front Riches has converted convertible notes of HK\$18,000,000 in face value that it has acquired from the previous controlling shareholders into 150,000,000 ordinary shares of the Company ("Shares").

Subsequent to the change of controlling shareholders and completion of the mandatory unconditional general offer, the Group has undergone a number of changes in order to provide the Group with new directions, highest standards of corporate governance and a new corporate identity. These include (i) the formation of a new board of directors; (ii) a change in auditors of the Group to Deloitte Touche Tohmatsu; and (iii) a change of the Company's name to Sheng Yuan Holdings Limited.

Management Discussion and Analysis *(continued)*

PROSPECTS

As the market environment becomes increasingly difficult for the Group's relatively small-scale trading of electrical products and copper concentrate, the Group is actively seeking to diversify its principal scope of business into other opportune business areas in order to broaden its income stream and enhance its growth. It is envisaged that appropriate new assets and/or business acquisitions will turn a new leaf in the Group's development and ultimately enhance its value and returns.

ACQUISITIONS AND DISPOSALS

There was no material acquisition or disposal during the Period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 October 2009, cash and bank balances maintained by the Group were approximately HK\$1,254,000 (30 April 2009: HK\$2,956,000). The Group current ratio (current assets over current liabilities) as at 31 October 2009 was 94% (30 April 2009: 123%). The Group has no borrowings as at 31 October 2009. The gearing of the Group, measured as total debts to total assets was 397% as at 31 October 2009, as compared with 334% as at 30 April 2009. With the conversion of convertible notes for the Period, the net deficit of the Group as at 31 October 2009 improved to approximately HK\$30,040,000 from HK\$41,311,000 as at 30 April 2009.

The Group financed its operation with internally generated cash flow and fund from issuance of convertible notes.

FOREIGN EXCHANGE EXPOSURE

The Group's transactions are mainly denominated in Hong Kong dollars and United States dollars. As Hong Kong dollars is pegged to United State dollars, the Group's exposure to exchange rate fluctuations is minimal. Therefore, the Group has not engaged in any hedging contracts during the Period.

CAPITAL STRUCTURE

During the Period, the holder of the convertible notes of the Company has converted convertible notes of HK\$18,000,000 in face value into 150,000,000 Shares.

CONTINGENT LIABILITIES

As at 31 October 2009, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 October 2009, the Group did not pledge any of its assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 October 2009, the Group employed approximately 11 employees, all situated in Hong Kong. The remuneration policy and package of the Group's employees are 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 Group.

Directors' Interests in Shares and Underlying Shares

As at 31 October 2009, the interests of the Directors and the chief executives and their associates in the shares, underlying shares and convertible notes of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

LONG POSITIONS – ORDINARY SHARES OF HK\$0.10 EACH OF THE COMPANY

Name of Director	Capacity	Number of Shares held	Percentage of the share capital issued of the Company
Ms. Lin Min	Interest of spouse (Note)	475,110,572	68.69%

Note: These Shares are held by Front Riches, which is wholly owned by Mr. Hu Yishi, the spouse of Ms. Lin Min.

LONG POSITIONS – SHARE OPTIONS

Name of Directors	Capacity	Number of options held	Number of underlying shares
Ms. Lin Min	Beneficial owner	2,700,000	2,700,000
Mr. Yip Kar Hang, Raymond	Beneficial owner	6,900,000	6,900,000
Mr. Chan Ho Sun, Sunny	Beneficial owner	600,000	600,000
Mr. Cheung Kwok Keung	Beneficial owner	600,000	600,000
Mr. Lau On Kwok	Beneficial owner	600,000	600,000

Directors' Interests in Shares and Underlying Shares

(continued)

LONG POSITIONS – CONVERTIBLE NOTES

Name of Director	Capacity	Description of equity derivatives	Number of underlying shares
Ms. Lin Min	Interest of spouse (Note a)	5 year 5% convertible notes (Note b)	280,000,000
		2% coupon convertible notes (Note c)	241,400,000

Notes

- The convertible notes are held by Front Riches which is wholly owned by Mr. Hu Yishi, the spouse of Ms. Lin Min.
- The 5 years 5% convertible notes with an outstanding principal amount of HK\$33,600,000 as at 31 October 2009 issued by the Company on 17 July 2007 and due on 17 July 2012 are convertible into Shares at a conversion price of HK\$0.12 per share.
- The Company and Front Riches entered into a subscription agreement and a supplemental agreement in relation to the 2% coupon convertible notes on 13 April 2009 and 22 April 2009 respectively. The convertible notes may be converted into Shares at a conversion price of HK\$0.184 per share (subject to adjustments). Completion of the subscription had not yet taken place as of 31 October 2009 and no convertible note had been issued as of 31 October 2009.

Save as disclosed above, none of the Directors or their associates had any interests or short positions in any Shares, underlying shares and convertible notes of the Company or any of its associated corporations as at 31 October 2009.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the convertible notes discussed above and the share option scheme of the Company, at no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the Period.

Substantial Shareholders

As at 31 October 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than interest disclosed above in respect of certain Directors and chief executives, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Substantial Shareholders *(continued)*

LONG POSITIONS – ORDINARY SHARES OF HK\$0.1 EACH OF THE COMPANY

Name of shareholder	Capacity	Number of Shares held	Percentage of the issued share capital of the Company
Front Riches	Beneficial owner (Note a)	475,110,572	68.69%

LONG POSITIONS – CONVERTIBLE NOTES

Name of shareholder	Capacity	Description of equity derivatives	Number of underlying shares
Front Riches	Beneficial owner (Note a)	5 year 5% convertible notes (Note b)	280,000,000
		2% coupon convertible notes (Note c)	241,400,000

Notes:

- (a) Front Riches is a corporation controlled by Mr. Hu Yishi, whose spouse, Ms. Lin Min, is an executive Director.
- (b) The 5 years 5% convertible notes with an outstanding principal amount of HK\$33,600,000 as at 31 October 2009 issued by the Company on 17 July 2007 and due on 17 July 2012 are convertible into Shares at a conversion price of HK\$0.12 per share.
- (c) The Company and Front Riches entered into a subscription agreement and a supplemental agreement in relation to the 2% coupon convertible notes on 13 April 2009 and 22 April 2009 respectively. The convertible notes may be converted into Shares at a conversion price of HK\$0.184 per share (subject to adjustments). Completion of the subscription had not yet taken place as of 31 October 2009 and no convertible note had been issued as of 31 October 2009.

Other than the interests disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no other person as having a notifiable interest or short position in the issued share capital of the Company as at 31 October 2009.

Share Options

The followings are the details of the share options of the Company and their movements during the Period:

									Closing price per share before date on which the options were granted
Grantee	Date of grant	Outstanding	Granted	Exercised	Cancelled/ Lapsed	Outstanding	Exercisable period	Exercise price	
		at 30-Apr-09	during the Period	during the Period	during the Period	at 31-Oct-09			
Directors									
Ms. Lin Min	25 August 2009	-	2,700,000	-	-	2,700,000	25 August 2009 – 24 August 2012	1.81	1.66
Mr. Yip Kar Hang, Raymond	25 August 2009	-	6,900,000	-	-	6,900,000	25 August 2009 – 24 August 2012	1.81	1.66
Mr. Chan Ho Sun, Sunny	25 August 2009	-	600,000	-	-	600,000	25 August 2009 – 24 August 2012	1.81	1.66
Mr. Cheung Kwok Keung	25 August 2009	-	600,000	-	-	600,000	25 August 2009 – 24 August 2012	1.81	1.66
Mr. Lau On Kwok	25 August 2009	-	600,000	-	-	600,000	25 August 2009 – 24 August 2012	1.81	1.66
Employees	25 August 2009	-	11,400,000	-	-	11,400,000	25 August 2009 – 24 August 2012	1.81	1.66
		-	1,500,000	-	-	1,500,000			
		-	12,900,000	-	-	12,900,000			
Exercisable at the end of the Period						12,900,000			

Purchase, Sale Or Redemption of the Company's Listed Securities

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

Corporate Governance

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

CODE PROVISION A.2.1

There was no separation of the role of chairman (the "Chairman") and chief executive officer (the "CEO") as set out in the Code provision A.2.1. Between the period from 1 May 2009 to 3 June 2009, Mr. Ko Chun Shun, Johnson, a former Director, assumed the role of both the Chairman and the CEO of the Company. This was a temporary arrangement to allow the Board to select a suitable candidate to fill the post of the CEO. Subsequent to the appointment of Ms. Lin Min as the Chairman and Mr. Yip Kar Hang, Raymond as the CEO of the Company on 4 June 2009, Code provision A.2.1 has been complied accordingly.

Audit Committee

On 14 May 2009, Mr. Cheung Kwok Keung, Mr. Lau On Kwok and Mr. Lau Wai Kit were appointed as members of the audit committee. On 4 June 2009, Mr. Liu Tsun Kie, Mr. Tang Ho Sum and Mr. Yuen Kin resigned as members of the audit committee. On 3 July 2009, Mr. Lau Wai Kit resigned and Mr. Chan Ho Sun, Sunny was appointed as a member of the audit committee.

The audit committee currently comprises Mr. Chan Ho Sun, Sunny, Mr. Cheung Kwok Keung and Mr. Lau On Kwok, all of whom are independent non-executive Directors with appropriate professional qualifications and experience in financial matters. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including a review of the interim results and the unaudited consolidated financial statements for the Period.

Remuneration Committee

On 14 May 2009, Mr. Cheung Kwok Keung, Mr. Lau On Kwok and Mr. Lau Wai Kit were appointed as members of the remuneration committee. On 4 June 2009, Mr. Liu Tsun Kie, Mr. Tang Ho Sum and Mr. Yuen Kin resigned as members of the remuneration committee. On 3 July 2009, Mr. Lau Wai Kit resigned and Mr. Chan Ho Sun, Sunny was appointed as a member of the remuneration committee.

The remuneration committee of the Company was established with specific terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The remuneration committee is responsible for making recommendations to the Board on the Company's policy and packages of employment for the Directors and senior management. It comprises three independent non-executive Directors. The present members are Mr. Chan Ho Sun, Sunny, Mr. Cheung Kwok Keung and Mr. Lau On Kwok.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code of the Listing Rules as a code of conduct of the Company for directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the Period.

Publication of Interim Results on Company Website

All information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on our website at <http://www.shengyuanholdings.com> in due course.

Board of Directors

On 14 May 2009, Ms. Lin Min and Mr. Yip Kar Hang, Raymond were appointed as executive Directors and Mr. Cheung Kwok Keung, Mr. Lau On Kwok and Mr. Lau Wai Kit were appointed as independent non-executive Directors. On 4 June 2009, Ms. Lin Min was appointed as the chairman of the Board and Mr. Yip Kar Hang, Raymond was appointed as chief executive officer of the Company. On the same date, Mr. Ko Chun Shun, Johnson resigned as executive Director and chairman of the Company, Mr. Wong Siu Kang resigned as executive Director, and Mr. Liu Tsun Kie, Mr. Tang Ho Sum and Mr. Yuen Kin resigned as independent non-executive Directors. On 3 July 2009, Mr. Lau Wai Kit resigned and Mr. Chan Ho Sun, Sunny was appointed as an independent non-executive Director.

As at the date of this report, Ms. Lin Min is the chairman and an executive Director; Mr. Yip Kar Hang, Raymond is an executive Director; Mr. Chan Ho Sun, Sunny, Mr. Cheung Kwok Keung and Mr. Lau On Kwok are independent non-executive Directors.

By Order of the Board

Sheng Yuan Holdings Limited

Yip Kar Hang, Raymond

Executive Director and Chief Executive Officer

Hong Kong, 19 January 2010