INTERIM REPORT 2010





SHENG YUAN HOLDINGS LIMITED Stock Code: 851

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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. Cheung Kwok Keung Mr. Lam Kam Tong Mr. Lau On Kwok

AUDIT COMMITTEE

Mr. Cheung Kwok Keung *(Chairman)* Mr. Lam Kam Tong Mr. Lau On Kwok

REMUNERATION COMMITTEE

Mr. Cheung Kwok Keung *(Chairman)* Mr. Lam Kam Tong Mr. Lau On Kwok

COMPANY SECRETARY Mr. Or Wing Keung

STOCK CODE 851

851

WEBSITE www.shengyuanholdings.com

PRINCIPAL REGISTRAR

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SHARE REGISTRAR

Tricor Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East Hong Kong

REGISTERED OFFICE

Clarendon House 2 Church Street Hamilton HM11 Bermuda

PRINCIPAL OFFICE IN HONG KONG

Unit 803, AXA Centre 151 Gloucestor Road 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 44th Floor Edinburgh Tower, The Landmark 15 Queen's Road 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

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 15, which comprises the condensed consolidated statement of financial position of Sheng Yuan Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 31 October 2010 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.

Deloitte Touche Tohmatsu Certified Public Accountants

Hong Kong 17 December 2010

Condensed Consolidated Statement Of Comprehensive Income

For the six months ended 31 October 2010

	Six months ended		
	Notes	31 October 2010 HK\$'000 (unaudited)	31 October 2009 HK\$'000 (unaudited)
Revenue Cost of sales	3	24,727 (24,016)	5,967 (5,824)
Gross profit Other income Administrative expenses Finance costs		711 1 (2,637) (2,660)	143 - (11,516) (1,928)
Loss before taxation Taxation	4 5	(4,585) (14)	(13,301) _
Loss for the period attributable to owners of the Company		(4,599)	(13,301)
Other comprehensive expense for the period Exchange difference arising on translation		(39)	
Total comprehensive expense for the period attributable to owners of the Company		(4,638)	(13,301)
Loss per share Basic and diluted	7	HK\$(0.01)	HK\$(0.02)

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Condensed Consolidated Statement of Financial Position At 31 October 2010

Non aurrent agosta	Notes	31 October 2010 HK\$'000 (unaudited)	30 April 2010 HK\$'000 (audited)
Non-current assets Property, plant and equipment Prepaid lease payments	8 9	2,301 8,747	280
		11,048	280
Current assets Trade and other receivables and prepayments Prepaid lease payments Bank balances and cash	10 9	19,617 214 15,803	296 - 43,813
	- 1 L	35,634	44,109
Current liabilities Trade and other payables and accruals Tax liabilities	11	10,629 14	5,530
		10,643	5,530
Net current assets		24,991	38,579
Total assets less current liabilities		36,039	38,859
Capital and reserves Share capital Reserves	12	84,172 (98,644)	84,172 (94,006)
Net deficit		(14,472)	(9,834)
Non-current liabilities Convertible notes	13	50,511	48,693
		36,039	38,859

Condensed Consolidated Statement of Changes in Equity For the six months ended 31 October 2010

				Attributable to	owners of t	he Company			
	Share capital HK\$'000	Share premium HK\$'000	Shareholder's contribution HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Convertible notes reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 May 2010 (audited) Loss for the period Exchange difference arising	84,172 -	42,488 -	7,834	-	8,744 -	477 -	12,986 –	(166,535) (4,599)	(9,834) (4,599)
on translation	-	-	-	(39)	-	-	-	-	(39)
Total comprehensive expense for the period	-	-	-	(39)	-	-	-	(4,599)	(4,638)
At 31 October 2010 (unaudited)	84,172	42,488	7,834	(39)	8,744	477	12,986	(171,134)	(14,472)
At 1 May 2009 (audited) Loss for the period and total comprehensive expense	54,172 e	33,616	7,834			477	9,766	(147,176)	(41,311)
for the period	-	-	ñe 4	-	-			(13,301)	(13,301)
Shares issued upon conversior of convertible notes Equity settled share based	n 15,000	4,235		-	-	-	(3,407)	-	15,828
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)

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 October 2010

	Six months ended		
	31 October 2010 HK\$'000 (unaudited)	31 October 2009 HK\$'000 (unaudited)	
NET CASH USED IN OPERATING ACTIVITIES	(16,886)	(1,408)	
CASH USED IN INVESTING ACTIVITIES Purchase of property, plant and equipment Prepaid lease payments	(2,106) (8,979)	(294)	
	(11,085)	(294)	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,971)	(1,702)	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	43,813	2,956	
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(39)	-	
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	15,803	1,254	

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 October 2010

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 current period, the Group is newly engaged in trading of telecommunication equipment.

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 fact that the Group's net liabilities of approximately HK\$14,472,000 as at 31 October 2010 and the loss attributable to owners of the Company of HK\$4,599,000 for the six-month period then ended. The controlling shareholder of the Group 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 2010 except as described below.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 (Amendment)	Classification of right issues
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 May 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 May 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related party disclosures ³
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7
	disclosures for first-time adopters ²
HKFRS 7 (Amendment)	Disclosures – Transfer of financial assets ⁴
HKFRS 9	Financial instruments ⁵
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement ³
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity
	instruments ²

- ¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
- ² Effective for annual periods beginning on or after 1 July 2010.
- ³ Effective for annual periods beginning on or after 1 January 2011.
- ⁴ Effective for annual periods beginning on or after 1 July 2011.
- ⁵ Effective for annual periods beginning on or after 1 January 2013.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the board of directors for the purposes of resource allocation and performance assessment are as follows:

- 1. Trading of electrical products and copper concentrate; and
- 2. Trading of telecommunication equipment.

During the period, the Group is newly engaged in the trading of telecommunication equipment and this is a new operating segment in current period. Information regarding the above segments is reported below.

	Trading of electrical products and copper concentrate Six months ended		Tradir telecomm equipi Six month	unication ment	Consolidated Six months ended		
	31.10.2010 HK\$'000 (unaudited)	31.10.2009 HK\$'000 (unaudited)	31.10.2010 HK\$'000 (unaudited)	31.10.2009 HK\$'000 (unaudited)	31.10.2010 HK\$'000 (unaudited)	31.10.2009 HK\$'000 (unaudited)	
REVENUE External sales	20,013	5,967	4,714		24,727	5,967	
RESULTS Segment results	220	(72)	56	-	276	(72)	
Corporate expenses Share options expense Finance costs					(2,201) - (2,660)	(2,557) (8,744) (1,928)	
Loss before taxation					(4,585)	(13,301)	

3. SEGMENT INFORMATION (continued)

Segment results represent the profit/loss earned by each segment without allocation of central administrative costs, share options expense and finance costs. This is the measure reported to the board of directors for the purposes of resources allocation and performance assessment.

The total assets of the Group at the end of the interim period do not differ significantly since the latest annual report date.

4. LOSS BEFORE TAXATION

The Group's loss before taxation has been arrived at after charging:

	Six months ended		
	31 October 31 Octob		
	2010	2009	
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	
Depreciation of property, plant and equipment	85	93	
Amortisation of prepaid lease payments	18	-	
Share options expense	-	8,744	

5. TAXATION

Amount represented the People's Republic of China ("PRC") enterprise income tax for a subsidiary operated in PRC. The tax rate of the PRC subsidiary is 25%.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements for the six months ended 31 October 2009 and 2010 as the subsidiaries 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 2009 and 2010.

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 2009 and 2010.

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 PER SHARE

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

	Six months ended		
	31 October 2010 HK\$'000 (unaudited)	31 October 2009 HK\$'000 (unaudited)	
Loss for the purposes of basic and diluted loss per share	(4,599)	(13,301)	

	Number of shares Six months ended		
	31 October 2010	31 October 2009	
	(unaudited)	(unaudited)	
Number of shares			
Weighted average number of ordinary shares for the purposes of			
basic and diluted loss per share	841,716,365	600,412,017	

The computation of diluted loss per share does not assume the conversion of the convertible notes and exercise of share options since the conversion would result in a decrease in loss per share.

8. PROPERTY, PLANT AND EQUIPMENT

The Group acquired property, plant and equipment at an aggregate cost of approximately HK\$2,106,000 (2009: HK\$294,000).

9. PREPAID LEASE PAYMENTS

	31 October 2010 HK\$'000	30 April 2010 HK\$'000
	(unaudited)	(audited)
Analysed for reporting purposes as:		
Current asset	214	-
Non-current asset	8,747	-
	8,961	-

The Group's prepaid lease payments represented medium-term lease leasehold land outside Hong Kong.

	31 October 2010 HK\$'000 (unaudited)	30 April 2010 HK\$'000 (audited)
Trade receivables Other receivables and prepayments	19,251 366	_ 296
	19,617	296

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	31 October	30 April
	2010	2010
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0-45 days	4,246	
46 to 180 days	15,005	-
	19,251	1.1.1.

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

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	31 October 2010 HK\$'000	30 April 2010 HK\$'000
	(unaudited)	(audited)
Trade payables Other payables and accruals	7,771 2,858	_ 5,530
- and at	10,629	5,530

All the trade payables are aged within 0 - 180 days at 31 October 2010 presented based on the invoice date at the end of the reporting period.

12. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value HK\$'000
Authorised:		
At 1 May 2009, 31 October 2009, 30 April 2010 and 31 October 2010	2,000,000,000	200,000
Issued and fully paid:		
At 1 May 2009	541,716,365	54,172
Conversion of convertible notes	150,000,000	15,000
	THE OWNER WHEN THE PARTY NAMES	
At 31 October 2009	691,716,365	69,172
Conversion of convertible notes	150,000,000	15,000
At 30 April 2010 and 31 October 2010	841,716,365	84,172

13. CONVERTIBLE NOTES

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

	HK\$'000
At 1 May 2009	44,821
Converted during the period	(15,828)
Interest expenses	1,928
Interest payable	(1,124)
At 31 October 2009	29,797
Proceeds from issue of 2% notes	44,418
Equity component	(10,033)
	34,385
Converted during the period	(16,231)
Interest expenses	2,304
Interest payable	(1,562)
At 30 April 2010	48,693
Interest expenses	2,660
Interest payable	(842)
At 31 October 2010	50,511

14. 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 ended 31 October 2009. The share options vested immediately. No share options had been exercised during the period ended 31 October 2009 and 2010.

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.

Interim Dividend

The directors of the Company (the "Directors") do not recommend the payment of interim dividend for the six months ended 31 October 2010 (six months ended 31 October 2009: Nil).

Management Discussion and Analysis BUSINESS AND FINANCIAL REVIEW

For the six months ended 31 October 2010 (the "Interim Period"), revenue of the Group was approximately HK\$24,727,000, as compared with approximately HK\$5,967,000 for the six months ended 31 October 2009 (the "Comparable Period"). The increase in revenue was mainly attributable to an increase in revenue generated from the Group's trading of electrical products in Hong Kong and the new stream of revenue contribution from the Group's newly established trading and procurement of electronic and telecommunication equipment business. As a result of the increased turnover, improvements in gross profit margin from 2.4% to 2.9% and a significant decrease in administrative expenses due to share based payment expenses recorded in the Comparable Period not being a recurrent event for the Interim Period, loss from operations has decreased from approximately HK\$11,373,000 of the Comparable Period to approximately HK\$1,925,000 of the Interim Period. Finance costs for the Interim Period has increased to approximately HK\$2,660,000 from approximately HK\$1,928,000 of the Comparable Period, mainly as a result of increased interest accrual in respect of the convertible notes issued in November 2009 and April 2010 respectively. As a collective result of the above factors, net loss attributable to shareholders has decreased from approximately HK\$13,301,000 of the Comparable Period to approximately HK\$4,599,000 of the Interim Period.

In the trading of electrical products in Hong Kong, the Group acts as a sourcing agent for its customers. Subsequent to the economic tsunami in 2008, competitive environment in the industries in which the Group's customers are engaged had been fierce, therefore hampering their business as well as pushing down prices in the market. The pricing pressure and competitive forces were inevitably also transferred to their suppliers such as the Group. Due to the low-margin nature of the business, the Group had to be selective on transactions to take and only HK\$1,815,000 of revenue from trading of electrical products was recorded during the year ended 30 April 2010. As the economy began to display signs of recovery, the Group had increased efforts in soliciting trading business in electrical products from existing customers, which has resulted in the much improved revenue of approximately HK\$ 20,013,000 for the Interim Period.

In the trading of copper concentrate, the Group sources copper concentrate from a printed-circuit-board recycling company and sells the copper concentrate to a reseller which will sell the copper concentrate to other companies in the PRC. To mitigate the pricing risks associated with taking positions in copper concentrate, the Group had been very cautious on the operation of the trading business of copper concentrate since the second half of the year ended 30 April 2010. During the Interim Period, the Group had not entered into any further transaction in the trading of copper concentrate (Comparable Period: HK\$5,967,000), as the Group has yet to identify transactions which would appropriately justify the risks against the potential return.

Management Discussion and Analysis (continued) BUSINESS AND FINANCIAL REVIEW (continued)

Aware of the difficulties of the existing trading business in Hong Kong, the Group's management has been seeking ways to strengthen its business portfolio. As a natural extension of the Group's trading business, the Group considers that opportunities exist in trading and procurement of electronic and telecommunication equipment in the municipality of Shanghai, PRC. In mid-August 2010, 順盈貿易(上海)有限公司 (for identification purpose, Sun Profit Trading (Shanghai) Co. Ltd.) ("Sun Profit"), an indirect wholly owned subsidiary of the Company with a registered capital of US\$3 million, was set up in Shanghai, the PRC. Sun Profit is principally engaged in sourcing goods and products for telecommunication service providers in the PRC. At its initial stage of development, Sun Profit will focus on the procurement and sale of the end user telecommunication equipment such as mobile phones and mobile internet devices, as well as other electronic products. These products and related solutions are fast moving items with relative low maintenance requirements, providing an appropriate entry point for Sun Profit.

Since its establishment in August 2010, Sun Profit had quickly initiated solicitations for business opportunities, and in September 2010, it successfully obtained the status as an authorised reseller of fixed network end-user devices for Huawei Device Co. Ltd. Sales transactions began in the same month and Sun Profit recorded approximately HK\$4,714,000. in aggregate revenue during the Interim Period. In order to provide a permanent place of operations for Sun Profit, the Group has purchased two office units in Jingan District, Shanghai. The transactions were completed in late October 2010 and the relevant details were disclosed in the announcement of the Company dated 1 September 2010.

PROSPECTS

Business environment for the Group's trading business in Hong Kong continues to be challenging. The Group will continue to monitor its operations in the trading of electrical products and copper concentrate in Hong Kong and may adjust its operating strategies as appropriate in order to best balance the risks and returns of such operations. The Group's newly set-up trading and procurement of electronic and telecommunication equipment business in Shanghai, however, provides a viable route of expansion of the Group's trading operations. Leveraging on the Group's business network in China, it is envisaged that this new venture will bring opportunities for broadened revenue streams and prospects to the Group. After establishing a foothold in the Shanghai market, the Group may consider extending Sun Profit's business into other key cities of the PRC and may also consider expanding the existing electrical products trading business into the PRC through Sun Profit.

Apart from the abovementioned, the Company has always been exploring new business opportunities for the Group with a view to further broadening its business operation and income stream. Given Hong Kong's well-established status as the region's financial hub and the vibrant activities in the financial industry in Hong Kong in recent years, the financial services sector is one of the key areas into which the Group is considering possible development. The Company will make appropriate disclosure in accordance with the requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") to inform shareholders and investors of the relevant details should suitable opportunities be identified.

Management Discussion and Analysis (continued) ACQUISITIONS AND DISPOSALS

The Group entered into agreements in August 2010 to acquire two office units in Shanghai at an aggregate consideration of approximately HK\$10.6 million. The properties will serve as offices of the Group in Shanghai. The transactions were completed in October 2010.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 October 2010, cash and bank balances maintained by the Group were approximately HK\$15,803,000 (30 April 2010: HK\$43,813,000). The decrease in cash balance was largely due to the application of funding towards the acquisition of office premises in Shanghai and in support of the Group's trading operations in Hong Kong and Shanghai which had grown during the Interim Period. As a result of such growth, trade and other payables and accruals and trade and other receivables and prepayments had also increased during the same period from HK\$5,530,000 to HK\$10,629,000 and from HK\$296,000 to HK\$19,617,000 respectively. Non-current assets increased to HK\$11,048,000 as at 31 October 2010 from HK\$280,000 as at 30 April 2010 subsequent to the completion of acquisition of office premises in Shanghai. The Group current ratio (current assets over current liabilities) as at 31 October 2010 was 335% (30 April 2010: 798%). The Group has no borrowings as at 31 October 2010. The gearing of the Group, measured as total debts to total assets was 131% as at 31 October 2010, as compared with 122% as at 30 April 2010. The net deficit of the Group as at 31 October 2010 was approximately HK\$14,472,000 (30 April 2010: HK\$9,834,000).

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

FOREIGN EXCHANGE EXPOSURE

The Group's transactions are mainly denominated in Hong Kong dollars and Renminbi dollars. Foreign exchange exposure of the Group is considered minimal as the exchange rate of Renminbi dollars against Hong Kong dollars were relatively stable during the Interim Period. Therefore, the Group has not engaged in any hedging contracts during the Interim Period. The Group will from time to time review and monitor exchange risks, and consider employing foreign exchange hedging arrangements when appropriate and necessary.

CAPITAL STRUCTURE

There has been no change to the capital structure of the Group during the Interim Period.

CONTINGENT LIABILITIES

As at 31 October 2010, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 October 2010, the Group did not pledge any of its assets.

Management Discussion and Analysis (continued) EMPLOYEES AND REMUNERATION POLICIES

As at 31 October 2010, the Group employed approximately 11 employees. The remuneration policy and package of the Group's employees are maintained at market level and are reviewed annually by management. Apart from basic remuneration, the Group also provides other employee benefits including medical scheme and provident fund schemes. In addition, the Group has a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Directors' Interests in Shares

As at 31 October 2010, 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 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 issued share capital of the Company
Ms. Lin Min	Interest of spouse (Note)	525,110,572	62.39%

Note: These shares of the Company (the "Shares") are held by Front Riches Investments Limited ("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 Mr. Yip Kar Hang,	Beneficial owner Beneficial owner	2,700,000 6,900,000	2,700,000 6,900,000
Raymond Mr. Cheung Kwok Keung	Beneficial owner	600,000	600,000
Mr. Lau On Kwok Mr. Chan Ho Sun, Sunny	Beneficial owner Beneficial owner (Note)	600,000 600,000	600,000 600,000

Note: Mr. Chan Ho Sun, Sunny resigned as an independent non-executive Director on 3 November 2010.

Directors' Interests in 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 <i>(Note b)</i>	130,000,000
		2% coupon convertible notes (Note c)	241,400,000

Notes

(a) The convertible notes are held by Front Riches which is wholly owned by Mr. Hu Yishi, the spouse of Ms. Lin Min.

- (b) The 5 years 5% convertible notes with an outstanding principal amount of HK\$15,600,000 as at 31 October 2010 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 issued 2% coupon convertible notes at a principal amount of HK\$5,152,000 and HK\$39,265,600 on 17 November 2009 and 29 April 2010 and a maturity date of 17 November 2012 and 29 April 2013 respectively. The 2% coupon convertible notes with total outstanding principal amount of HK\$44,417,600 as at 31 October 2010 are convertible into Shares at a conversion price of HK\$0.184 per Share.

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 2010.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme discussed above and the convertible notes of the Company, at no time during the Interim 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 Interim Period.

Substantial Shareholders

As at 31 October 2010, 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)	525,110,575	62.39%
LONG POSITIONS	6 - 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)	130,000,000
		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\$15,600,000 as at 31 October 2010 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 issued 2% coupon convertible notes at a principal amount of HK\$5,152,000 and HK\$39,265,600 on 17 November 2009 and 29 April 2010 and a maturity date of 17 November 2012 and 29 April 2013 respectively. The 2% coupon convertible notes with total outstanding principal amount of HK\$44,417,600 as at 31 October 2010 are convertible into Shares at a conversion price of HK\$0.184 per Share.

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 2010.

Share Options

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

-	ет.,	Outstanding at	Grant during the Interim	Exercised during the Interim	Interim	Outstanding at	Exercisable	Exercise	Closing price per Share before date on which the options	
Grantee	Date of grant	30-Apr-10	Period	Period	Period	31-Oct-10	period	price	were granted	
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. 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	
Mr. Chan Ho Sun, Sunny (Note)	25 August 2009	600,000	1		-	600,000	25 August 2009 – 24 August 2012	1.81	1.66	
		11,400,000	-	-	-	11,400,000				
Employees	25 August 2009	1,500,000	-	1		1,500,000	25 August 2009 – 24 August 2012	1.81	1.66	
		12,900,000	-	-	-	12,900,000				
Exercisable at the e	end of the Interim P	eriod				12,900,000				

Note: Mr. Chan Ho Sun, Sunny resigned as an independent non-executive Director on 3 November 2010.

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

During the Interim 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 standard of corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with the code on corporate governance practices (the "Code") as set out in Appendix 14 of the Listing Rules during the Interim Period.

Audit Committee

On 3 November 2010, Mr. Chan Ho Sun, Sunny resigned and Mr. Lam Kam Tong was appointed as a member of the audit committee.

The audit committee currently comprises Mr. Cheung Kwok Keung, Mr. Lam Kam Tong 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. The interim results and the unaudited financial statements for the six months ended 31 October 2010 have been reviewed by the audit committee.

Remuneration Committee

On 3 November 2010, Mr. Chan Ho Sun, Sunny resigned and Mr. Lam Kam Tong 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. Cheung Kwok Keung, Mr. Lam Kam Tong 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 Interim Period.

Publication of Interim Results Announcement and Interim Report

The interim results announcement is published on the website of the Company (www.shengyuanholdings.com) and the Stock Exchange (www.hkexnews.hk). The interim report for the six months ended 31 October 2010 of the Company containing all information required by the Listing Rules will be dispatched to shareholders of the Company and available on the above websites in due course.

Board of Directors

On 3 November 2010, Mr. Chan Ho Sun, Sunny resigned and Mr. Lam Kam Tong 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. Cheung Kwok Keung, Mr. Lam Kam Tong and Mr. Lau On Kwok are the 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, 17 December 2010