盛源控股有限公司

SHENG YUAN HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 851)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2010

The board of directors (the "Directors", collectively referred to as the "Board") of Sheng Yuan Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 October 2010 together with the comparative figures as follows:

Condensed Consolidated Statement Of Comprehensive Income

For the six months ended 31 October 2010

	Notes	Six months ended 31 October 2010 HK$'000 (unaudited)	31 October 2009 HK$'000 (unaudited)
Revenue	3	**24,727**	5,967
Cost of sales		**(24,016)**	(5,824)
Gross profit		**711**	143
Other income		**1**	–
Administrative expenses		**(2,637)**	(11,516)
Finance costs		**(2,660)**	(1,928)
Loss before taxation	4	**(4,585)**	(13,301)
Taxation	5	**(14)**	–
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	7		
Basic and diluted		**HK$(0.01)**	HK$(0.02)

Condensed Consolidated Statement of Financial Position

At 31 October 2010

	Notes	**31 October 2010 HK$'000 (unaudited)**	30 April 2010 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	8	**2,301**	280
Prepaid lease payments	9	**8,747**	–
		11,048	280
Current assets			
Trade and other receivables and prepayments	10	**19,617**	296
Prepaid lease payments	9	**214**	–
Bank balances and cash		**15,803**	43,813
		35,634	44,109
Current liabilities			
Trade and other payables and accruals	11	**10,629**	5,530
Tax liabilities		**14**	–
		10,643	5,530
Net current assets		**24,991**	38,579
Total asset less current liabilities		**36,039**	38,859
Capital and reserves			
Share capital		**84,172**	84,172
Reserves		**(98,644)**	(94,006)
Net deficit		**(14,472)**	(9,834)
Non-current liabilities			
Convertible notes		**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 the Company								
	Share capital	**Share premium**	**Shareholder's contribution**	**Exchange reserve**	**Share option reserve**	**Capital redemption reserve**	**Convertible notes reserve**	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 May 2010 (audited)	**84,172**	**42,488**	**7,834**	**-**	**8,744**	**477**	**12,986**	**(166,535)**	**(9,834)**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,599)**	**(4,599)**
Exchange difference arising 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)	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 notes	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)

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		**Trading of telecommunication equipment Six months ended**		**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					**(2,201)**	(2,557)
Share options expense					**–**	(8,744)
Finance costs					**(2,660)**	(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 2010 HK$'000 (unaudited)	31 October 2009 HK$'000 (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 (unaudited)	31 October 2009 (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$'000 (unaudited)	30 April 2010 HK$'000 (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.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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 2010 HK$'000 (unaudited)	30 April 2010 HK$'000 (audited)
0-45 days	**4,246**	–
46 to 180 days	**15,005**	–
	19,251	–

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

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	31 October 2010 HK$'000 (unaudited)	30 April 2010 HK$'000 (audited)
Trade payables	**7,771**	–
Other payables and accruals	**2,858**	5,530
	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.

Interim Dividend

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.

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 equipments which include network equipment such as routers and modems, to end-user 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.

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 Renmibi dollars. Foreign exchange exposure of the Group is considered minimal as the exchange rate of Renmibi 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.

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.

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 for Securities Transactions by Directors of Listed Companies (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

This 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 announcement, 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