

SGD HOLDINGS, LTD. AND SUBSIDIARY

Second Quarter

January 31, 2010

(Unaudited - Prepared by Management)

SGD Holdings, Ltd. and Subsidiary

January 31, 2010

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SGD Holdings, Ltd. and Subsidiary

Consolidated Balance Sheets
As of January 31, 2010 and July 31, 2009
(Unaudited - Prepared by Management)

	January 31, 2010	July 31, 2009
Assets		
Current assets		
Cash	\$ 3,638	\$ 5,725
Accounts receivable	9,679	8,783
Prepaid expenses	78,946	5,000
Inventory	65,541	29,862
Total current assets	157,804	49,370
Equipment, net	8,167	9,383
Intangible assets	267,793	261,947
Total assets	<u>\$ 433,764</u>	<u>\$ 320,700</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 22,860	\$ 2,630
Accrued expenses	12,237	4,735
Notes payable	350,000	303,000
Due to stockholder	8,492	9,835
	393,589	320,200
Stockholders' equity		
Common stock	6,737	6,032
Additional paid in capital	2,314,994	2,140,699
Deferred consulting services	(1,312,500)	(1,575,000)
Accumulated deficit	(969,056)	(571,231)
Total stockholders' equity	40,175	500
Total liabilities and stockholders' equity	<u>\$ 433,764</u>	<u>\$ 320,700</u>

Approved on behalf of the Board of Directors:

/s/ Harry Johansing, President and Director

SGD Holdings, Ltd. and Subsidiary

Interim Consolidated Statements of Operations and Accumulated Deficit
Six months ended January 31, 2010 and Inception (January 1, 2009) through July 31, 2009
(Unaudited - Prepared by Management)

	Six Months Ended January 31, 2010	Inception to July 31, 2009
Sales	\$ 28,946	\$ 55,751
Cost of sales	<u>27,199</u>	<u>44,092</u>
Gross profit	1,747	11,659
Costs and expenses		
Selling expenses	17,498	18,218
Administrative expenses	109,055	38,795
Non-cash consulting services	<u>262,500</u>	<u>525,000</u>
	<u>389,053</u>	<u>582,013</u>
Net loss from operations	(387,306)	(570,354)
Other income (expense):		
Miscellaneous income	491	622
Interest expense	<u>(11,010)</u>	<u>(1,499)</u>
	<u>(10,519)</u>	<u>(877)</u>
Net loss	(397,825)	(571,231)
Accumulated deficit, beginning of period	<u>(571,231)</u>	-
Accumulated deficit, end of period	<u><u>(969,056)</u></u>	<u><u>(571,231)</u></u>
 Loss per share, basic and fully diluted	 <u>\$ (0.01)</u>	 <u>\$ (0.01)</u>
Weighted average shares outstanding	<u><u>63,213,654</u></u>	<u><u>41,369,504</u></u>

SGD Holdings, Ltd. and Subsidiary

Interim Consolidated Statements of Cash Flows

Six months ended January 31, 2010 and Inception (January 1, 2009) through July 31, 2009
(Unaudited - Prepared by Management)

	Six Months Ended January 31, 2010	Inception to July 31, 2009
Operating activities:		
Net loss	\$ (397,825)	\$ (571,231)
Adjustments to reconcile net loss from operations to net cash used in operating activities:		
Depreciation	1,216	1,043
Common stock issued for services	262,500	525,000
Changes in operating assets and liabilities:		
Accounts receivable	(897)	(8,782)
Inventory	(35,678)	26,040
Prepaid expenses and other assets	(73,946)	(5,000)
Accounts payable	20,230	(1,603)
Accrued expenses	6,160	11,334
Net cash used in operations	<u>(218,240)</u>	<u>(23,199)</u>
Investing activities:		
Purchase of other assets	<u>(5,847)</u>	<u>(2,576)</u>
Net cash used in investing activities	<u>(5,847)</u>	<u>(2,576)</u>
Financing activities:		
Sale of common stock	175,000	3,500
Loan proceeds	47,000	28,000
Net cash provided by financing activities	<u>222,000</u>	<u>31,500</u>
Net increase (decrease) in cash and equivalents	(2,087)	5,725
Cash and cash equivalents, beginning of period	5,725	-
Cash and cash equivalents, end of period	<u>\$ 3,638</u>	<u>\$ 5,725</u>
 Supplemental cash flow information:		
Cash paid for interest and income taxes:		
Interest	-	-
Income taxes	-	-

SGD Holdings, Ltd. and Subsidiary
Notes to Interim Consolidated Financial Statements
Six Months Ended January 31, 2010
(Unaudited - Prepared by Management)

1. Formation and Nature of Business

- a. Basis of Presentation - The consolidated financial statements include the accounts of SGD Holdings, Ltd. ("SGD") and its wholly owned subsidiary Ecopaper, Inc. ("EP") (collectively "we," "us," or the "Company"). All intercompany transactions have been eliminated in consolidation.
- b. Organization - SGD was originally incorporated on May 22, 1996, in Delaware as Transun International Airways, Inc. ("Transun") and until June 1999, was a development stage company with plans to establish itself as an air transport company providing non-scheduled air service (charter flights). Transun changed its name to Goldonline International, Inc. on June 10, 1999 and changed its name to SGD Holdings, Ltd. on January 24, 2001 to reflect its change in business.

Until 2004, SGD ("Debtor") acquired and operated several companies, principally in the wholesale and retail gold and silver jewelry businesses. On January 20, 2005, SGD filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") (Case No. 05-10182). The Debtor continued to manage its properties as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code, until June 2, 2005, when a Chapter 11 Trustee ("Trustee") was appointed. In February 2005, a motion was filed to transfer venue of the case from Delaware to the Northern District of Texas, Fort Worth Division and a new case number (Case No. 05-42392-rfn-11) was assigned on March 4, 2005 when the motion was granted. All liabilities were settled in 2006 and a Motion for Final Decree was filed on April 8, 2010. When the final decree is granted SGD's bankruptcy case will be closed and it will be released from the jurisdiction of the bankruptcy court.

Effective July 1, 2009, SGD acquired EP, a California corporation organized on January 1, 2008, for 38,500,000 shares of its common stock, which resulted in the shareholders of EP having control of SGD. Accordingly, the transaction was recorded for accounting purposes as the acquisition of EP by SGD with EP as the acquirer (reverse acquisition). The consolidated financial statements of the Company prior to July 1, 2009 are those of EP.

- c. Nature of Business and Current Operations - SGD is a holding company. EP has created techniques for producing paper that make it possible to never have to cut down another tree again for the production of paper. The Company does this by producing its paper products from natural fibers, such as banana or coffee.

- d. Going Concern - The Company has limited assets and substantial debt and is currently relying on sales of its common stock and loans to support operations. It is unknown if the Company will be able to continue to raise sufficient funds to support its operations from loans and sales of its common stock until the business is able to increase to a level to support itself. The financial statements do not include any adjustments that may result from the outcome of these uncertainties.

2. Summary of Significant Accounting Policies

- a. Use of estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.
- b. Cash and cash equivalents - include demand and time deposits with maturities of three months or less when acquired.
- c. Income taxes - benefits have not been recorded as the benefit of any net operating loss has been fully reserved.
- d. Earnings per share - Basic earnings per share is based on the sum of the weighted average number of common shares outstanding. Diluted earnings per share include any dilutive effect of stock options and convertible securities (common stock equivalents). During the periods presented, there were no common stock equivalents outstanding. Accordingly, basic and fully diluted earnings per share are the same.
- e. Revenue - the Company records revenue when the product is shipped to its customers and relieves inventory for the cost of product sold at the same time.
- f. Accounting Standards Codification - The Company adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") during 2009. The ASC did not alter current accounting principles generally accepted in the United States of America ("GAAP"), but rather integrated existing accounting standards with other authoritative guidance. The ASC provides a single source of authoritative GAAP for nongovernmental entities and supersedes all other previously issued non-public accounting and reporting guidance. The adoption of the ASC had no effect on the Company's consolidated financial statements.
- g. Recent Accounting Pronouncements - During 2009, the Company adopted the FASB ASC Topic 105 (previously FASB Statement No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles." ASC Topic 105 established the ASC as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Management does not believe that any recently issued but not yet adopted accounting standards will have a material effect on the Company's results of operations or on the reported amounts of its assets and liabilities upon adoption.

3. Notes Payable

Notes payable consist of the following at January 31, 2010:

Note dated June 1, 2008; maturity date May 31, 2009; interest at 12% per annum; convertible into common stock at \$0.001 per share; interest due at maturity	\$ 25,000
Note dated October 1, 2009; maturity date March 1, 2010; interest at 8% per annum; interest due monthly, beginning November 1, 2009	47,000
Note dated October 1, 2009; maturity date March 1, 2010; interest at 8% per annum; interest due monthly, beginning November 1, 2009	28,000
Note dated October 30, 2007; maturity date September 30, 2010; interest at 6% per annum; interest due monthly, beginning December 1, 2007	250,000
	<u>\$ 350,000</u>

4. Stockholders' Equity

Common stock - Authorized 200,000,000 shares with par value of \$0.0001. Issued and fully paid 67,370,176 shares at January 31, 2010.

Deferred consulting services - On July 15, 2009, the Company entered into two consulting agreements. The terms of the agreements required the Company to issue 3,500,000 shares of its common stock on July 15, 2009. The Company is also required to issue 10,500,000 shares of its common stock on a monthly basis over a three year period. The shares were valued at the date of the consulting agreements and the full amount was recorded as deferred consulting services, which is being amortized to expense over the three year period. At January 31, 2010, the balance of \$1,312,500 represents 8,750,000 shares to be issued.