

SGD HOLDINGS, LTD AND SUBSIDIARY

Quarter

November 1 2010 to January 31,2011

(Unaudited – Prepared by Management)

EcoPaper, Inc.
Balance Sheet
 As of January 31, 2011

	<u>Jan 31, 11</u>
ASSETS	
Current Assets	
Checking/Savings	
Chase - 7659	-345.19
Chase - 7667	5,988.06
Chase Freight Account xx-9012	-341.54
Total Checking/Savings	<u>5,301.33</u>
Accounts Receivable	
Accounts Receivable	6,272.01
Total Accounts Receivable	<u>6,272.01</u>
Other Current Assets	
Accts. Rec. - Other	2,380.00
Inventory Asset	
*Inventory Asset	100,837.95
Inventory Contra	-26,441.78
Inventory Asset - Other	67,004.36
Total Inventory Asset	<u>141,400.53</u>
Loan Rec - EcoFriends	235,453.35
Prepaid Inventory	11,302.89
Total Other Current Assets	<u>390,536.77</u>
Total Current Assets	402,110.11
Fixed Assets	
Accum. Depr.	-3,301.59
Equipment	10,426.00
Total Fixed Assets	<u>7,124.41</u>
Other Assets	
Goodwill	250,000.00
Patent Costs	18,581.26
Total Other Assets	<u>268,581.26</u>
TOTAL ASSETS	<u><u>677,815.78</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	
Accounts payable contra	-26,764.83

EcoPaper, Inc.
Balance Sheet
 As of January 31, 2011

	Jan 31, 11
Accounts Payable - Other	70,891.26
Total Accounts Payable	<u>44,126.43</u>
 Total Accounts Payable	 44,126.43
 Other Current Liabilities	
Accrued Interest - Paul Orfalea	8,750.00
Loan Pay - Eastshore	65,000.00
Loan Pay -Street Capital	35,000.00
Loan Pay. - HJ Johansing	71,992.23
Loan Pay. - Paul Orfalea	230,000.00
Loan Payable - Boucher	14,100.00
Loans	60,000.00
Sales Tax Payable	263.46
Total Other Current Liabilities	<u>485,105.69</u>
 Total Current Liabilities	 529,232.12
 Long Term Liabilities	
Due to SGD Holdings LTD	233,275.00
Total Long Term Liabilities	<u>233,275.00</u>
 Total Liabilities	 762,507.12
 Equity	
Additional Paid in Capital	71,466.19
Harry Johnasing	10,000.00
Opening Bal Equity	139.75
Retained Earnings	-149,562.87
Net Income	-16,734.41
Total Equity	<u>-84,691.34</u>
 TOTAL LIABILITIES & EQUITY	 <u>677,815.78</u>

EcoPaper, Inc.
Profit & Loss
 November 2010 through January 2011

	<u>Nov '10 - Jan 11</u>
Ordinary Income/Expense	
Income	
Sales	5,382.93
Sales Income	3,227.25
Shipping-1	1,242.84
Uncategorized Income	<u>8,218.19</u>
Total Income	18,071.21
Cost of Goods Sold	
Cost of Goods Sold	2,627.66
Freight Expense	582.61
Shipping Internet (E)	948.81
Shipping Wholesale (E)	<u>33.46</u>
Total COGS	<u>4,192.54</u>
Gross Profit	13,878.67
Expense	
Advertising and Promotion	1,454.00
Automobile Expense	
Gasoline	<u>458.40</u>
Total Automobile Expense	458.40
Bank Service Charges	703.00
Cash Discounts	14.27
Dues and Subscriptions	100.03
Filing Fees	3,600.00
Marketing Expenses	965.54
Merchant Fees	218.16
Office Supplies	106.02
Postage and Delivery	1,630.73
Press Releases	5,070.00
Professional Fees	
Accounting	<u>475.00</u>
Total Professional Fees	475.00
Rent	1,850.00
Repairs	
Computer Repairs	<u>34.95</u>
Total Repairs	34.95
Salary	8,210.02
Storage	80.00
Telephone	

EcoPaper, Inc.
Profit & Loss
 November 2010 through January 2011

	<u>Nov '10 - Jan 11</u>
Cell	2,384.17
DSL-Cable	1,284.68
Telephone - Other	92.95
Total Telephone	<u>3,761.80</u>
Travel Expenses	
Airfare	1,363.39
General	81.92
Lodging	105.84
Total Travel Expenses	<u>1,551.15</u>
Uncategorized Expenses	14,311.39
Utilities	
Gas and Electric	249.52
Total Utilities	<u>249.52</u>
Web Fees	100.98
Total Expense	<u>44,944.96</u>
Net Ordinary Income	-31,066.29
Other Income/Expense	
Other Expense	
Other Expenses	3,647.73
Suspense	5,566.05
Total Other Expense	<u>9,213.78</u>
Net Other Income	<u>-9,213.78</u>
Net Income	<u><u>-40,280.07</u></u>

EcoPaper, Inc.
Statement of Cash Flows
 November 2010 through January 2011

	<u>Nov '10 - Jan 11</u>
OPERATING ACTIVITIES	
Net Income	-40,280.07
Adjustments to reconcile Net Income to net cash provided by operations:	
Accounts Receivable	111.39
Inventory Asset	1,764.46
Inventory Asset:*Inventory Asset	4,510.93
Accounts Payable	19,226.06
Loan Pay. - HJ Johansing	8,000.00
Loan Pay. - Paul Orfalea	-3,750.00
Loan Payable - Boucher	10,000.00
Sales Tax Payable	-361.30
Net cash provided by Operating Activities	<u>-778.53</u>
Net cash increase for period	-778.53
Cash at beginning of period	<u>6,079.86</u>
Cash at end of period	<u><u>5,301.33</u></u>

SGD Holdings, Ltd. and Subsidiary

Notes to Interim Consolidated Financial Statements

Three Months Ended January 31, 2011

(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 nonscheduled 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.

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, 2011:

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 \$ 65,000

Note dated October 1, 2009; maturity date March 1, 2010; interest at 8% per annum; interest due monthly, beginning November 1, 2011 \$35,000

Note dated October 1, 2009; maturity date March 1, 2010; interest at 8% per annum; interest due monthly, beginning November 1, 2012 \$71,992

Note dated October 30, 2007; maturity date September 30, 2010; interest at 6% per annum; interest due monthly, beginning December 1, 2012 \$250,000

Total \$ 424,992

4. Stockholders' Equity

Common stock - Authorized 200,000,000 shares with par value of \$0.0001. Issued and fully paid 88,856,377 shares at January 31, 2011.

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, 2011, the balance of \$1,312,500 represents 8,750,000 shares to be issued.