THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Fulbond Holdings Limited** (the "Company"), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

fulbond

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Fulbond Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1041)

(1) VERY SUBSTANTIAL ACQUISITION – ACQUISITION OF SHARES IN PROWEALTH HOLDINGS GROUP LIMITED AND ISSUE OF SPA CONSIDERATION SHARES AND SPA CONVERTIBLE NOTES AND (2) PROPOSED SHARE CONSOLIDATION AND CHANGE OF BOARD LOT SIZE AND (3) NOTICE OF SPECIAL GENERAL MEETING

A letter from the board of directors of the Company is set out on pages 7 to 26 of this circular.

A notice convening the SGM (as defined in this circular) to be held at Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong at 11:00 am on Thursday, 17 July 2008, is set out on pages VI-1 to VI-2 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

30 June 2008

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Shares by the Purchaser pursuant to the Agreement
"Agreement"	the agreement relating to the sale and purchase of the Sale Shares entered into among the Purchaser, the Company and the Vendors on 28 May 2008
"Board"	the board of Directors
"Business Day"	any day (not being a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Company"	Fulbond Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Agreement
"connected person(s)"	the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration for the Acquisition pursuant to the Agreement
"Consolidated Share(s)"	share(s) of US$0.005 each in the capital of the Company immediately following and arising from the Share Consolidation
"Convertible Note"	the convertible note with an aggregate principal amount of US$3,700,000 due on demand, issued by the Company to the Subscriber pursuant to the Subscription Agreement
"Directors"	the directors of the Company
"Enlarged Group"	the Group immediately after Completion
"Group"	the Company and its subsidiaries

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"HK GAAP"	generally accepted accounting principles in Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hainan Jiadexin"	海南佳德信食品有限公司 (Hainan Jiadexin Foodstuff Company Limited), a company incorporated with limited liability in the PRC which is 100% owned by Prowealth through its wholly owned subsidiaries
"Independent Third Party"	third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company
"Issue Price"	HK$0.086 per Share, being the issue price for the SPA Consideration Shares
"Last Trading Day"	28 May 2008, being the last trading day prior to the issue of the announcement of the Company in connection with the entering into of the Agreement
"Latest Practicable Date"	26 June 2008, being the latest practicable date for the purpose of ascertaining certain information of this circular before its printing
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Maoming Changxing"	茂名長興食品有限公司 (Maoming Changxing Foods Company Limited), a company incorporated with limited liability in the PRC which is 100% owned by Prowealth through its wholly owned subsidiaries
"PRC"	the People's Republic of China
"Previous Acquisition"	the acquisition of the Previous Sale Shares by the Purchaser
"Previous Agreement"	the agreement relating to the sale and purchase of the Previous Sale Shares at the consideration of HK$121,000,000 entered into between the Purchaser, the Company, Sun Boom and Ajia Partners Special Situations Fund I LP on 22 February 2008, as amended and supplemented by the Supplemental Deed

"Previous Sale Shares"	such number of issued ordinary shares of US$1.00 each in the capital of Prowealth comprising not less than 20 % of the entire enlarged issued share capital of Prowealth as at the date of completion of the Previous Agreement
"Previous SPA Convertible Note"	the secured convertible note with an aggregate principal amount of HK$121,000,000 due on demand, issued by the Company to Sun Boom pursuant to the Previous Agreement
"Prowealth"	Prowealth Holdings Group Limited, a BVI business company limited by shares
"Prowealth Convertible Bond"	the secured convertible bond issued by Prowealth to Sun Boom convertible into the ordinary shares of Prowealth
"Prowealth Group"	Prowealth and its subsidiaries
"Purchaser"	Fulbond Investments Limited, a wholly owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	SB Sale Shares and WV Sale Shares which together comprising not less than 80% of the entire enlarged issued share capital of Prowealth as at the date of Completion
"SB Sale Shares"	all issued ordinary shares of US$1.00 each in the capital of Prowealth beneficially owned by Sun Boom being not less than 13.33% of the entire issued share capital of Prowealth as at the time of Completion.
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Consolidation"	the consolidation of every five (5) Shares into one (1) Consolidated Share
"Share Options"	the issued and outstanding share options of the Company issued pursuant to the share option scheme adopted by the Company on 19 November 2001
"SPA Convertible Notes"	the Sun Boom Convertible Note and the Wise Virtue Convertible Note

"SPA Conversion Shares"	the Shares to be issued by the Company upon exercise of the conversion rights attaching to the SPA Convertible Notes
"SGM"	the special general meeting of the Company to be held to consider the ordinary resolutions to be proposed to approve, among other things, the Agreement and the Share Consolidation, notice of which is set out in this circular
"Share(s)"	the ordinary shares of US$0.001 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"SPA Consideration Shares"	3,756,840,000 Shares to be issued to Wise Virtue as part of the Consideration for the Sale Shares pursuant to the Agreement on Completion
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	the conditional subscription agreement dated 22 February 2008 and entered into between the Company and Sun Boom in respect of the subscription of the Convertible Note with an aggregate principal amount of US$3,700,000 (equivalent to approximately HK$28,860,000) by Sun Boom
"Sun Boom" or "Subscriber"	Sun Boom Limited, a company incorporated in the British Virgin Islands
"Sun Boom Convertible Note"	the secured convertible note with an aggregate principal amount of HK$80,646,500 due on demand, to be issued by the Company to Sun Boom pursuant to the Agreement
"Supplemental Deed"	the supplemental deed dated 27 February 2008 entered into between the Purchaser, the Company, Sun Boom and the Ajia Partners Special Situation Fund I LP supplemental to the Previous Agreement
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Vendors"	Sun Boom and Wise Virtue

"Warrants"	1,500,000,000 unlisted warrants issued by the Company at the price of HK$0.001 per unit, each entitles the holder thereof to subscribe for one Share at the subscription price of HK$0.074 per Share (subject to adjustments) at any time during a period of 30 months commencing from 21 January 2008, the date of issue of the Warrants
"WV Sale Shares"	all issued ordinary shares of US$1.00 each in the capital of Prowealth beneficially owned by Wise Virtue being not less than 66.67% of the entire issued share capital of Prowealth as at the time of Completion.
"Wise Virtue"	Wise Virtue Holdings Limited, a company incorporated in the British Virgin Islands
"Wise Virtue Convertible Note"	the secured convertible note with an aggregate principal amount of HK$80,265,260 due on demand, to be issued by the Company to Wise Virtue pursuant to the Agreement
"US$"	United States dollars, the lawful currency of the United States of America
"Yield On"	Yield On International Limited (裕安國際有限公司), a company incorporated on 26 April 2006 with limited liability in Hong Kong and which is wholly owned by Prowealth
"%"	per cent.

Unless otherwise specified, in this circular, translations of US$ into HK$ are made at the rate of US$1.00 to HK$7.80 and translations of RMB into HK$ are made at the rate of RMB 1.00 to HK$1.1.

The expected timetable for the SGM, Share Consolidation and change of board lot size of the Shares is set out below. If there are any further changes to the timetable, a further announcement will be made by the Company.

	2008
Latest time for lodging forms of proxy for the SGM	11:00 a.m. on 15 July
SGM	11:00 a.m. on 17 July
Effective date of the Share Consolidation	18 July
Existing counter for trading in the Shares in board lots of 2,000 Shares closes	9:30 a.m. on 18 July
Temporary counter for trading in the Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates) opens	9:30 a.m. on 18 July
First day for free exchange of existing share certificates for new share certificates for the Consolidated Shares	18 July
First day of provision of odd lot matching services	18 July
Existing counter for trading in the Consolidated Shares in board lots of 5,000 Consolidated Shares (in the form of new share certificates) reopens	9:30 a.m. on 1 August
Parallel trading in the Consolidated Shares (in the form of new share certificates and existing share certificates) commences	9:30 a.m. on 1 August
Temporary counter for trading in the Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on 21 August
Parallel trading in the Consolidated Shares (in the form of new share certificates and existing share certificates) ends	4:10 p.m. on 21 August
Last day of provision of odd lot matching services	21 August
Last day for free exchange of existing share certificates for new share certificates for the Consolidated Shares	4:30 p.m. on 29 August

Note: All references to time in this circular are Hong Kong time.

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Fulbond Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1041)

Executive Directors:
Zhang Xi *(Chairman)*
Zhang Huafang
Cai Duanhong
Catherine Chen *(Managing Director)*

Independent non-executive Directors:
Hong Po Kui, Martin
Yam Tak Fai, Ronald
Wong Man Hin, Raymond

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Unit 2805, 28/F., The Center
99 Queen's Road Central
Central, Hong Kong

30 June 2008

To the Shareholders and, for information only, the holder of the Convertible Note

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION – ACQUISITION OF SHARES IN PROWEALTH HOLDINGS GROUP LIMITED AND ISSUE OF SPA CONSIDERATION SHARES AND SPA CONVERTIBLE NOTES AND (2) PROPOSED SHARE CONSOLIDATION AND CHANGE OF BOARD LOT SIZE AND (3) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

On 3 June 2008, the Company announced (i) the entering into of the Agreement for the Acquisition and (ii) the proposed Share Consolidation.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is subject to approval of the Shareholders.

The purpose of this circular is to give you (i) further details of the Acquisition, the SPA Consideration Shares and the SPA Convertible Notes; (ii) further details of the Share Consolidation and change of board lot size and (iii) a notice of the SGM, at which resolutions will be proposed to the Shareholders to consider and, if thought fit, to approve the Acquisition and the Share Consolidation.

(1) VERY SUBSTANTIAL ACQUISITION – ACQUISITON OF SHARES IN PROWEALTH AND ISSUE OF SPA CONSIDERATION SHARES AND SPA CONVERTIBEL NOTES

Further to the announcements of the Company dated 28 February 2008 and 8 May 2008, on 28 May 2008, the Company through its wholly-owned subsidiary, the Purchaser, conditionally agreed to acquire further shares in Prowealth by entering into the Agreement with the Vendors. Pursuant to it the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the Sale Shares at the consideration of HK$484,000,000.

Agreement dated 28 May 2008

Parties:	(1)	Vendors:	(a)	Sun Boom
			(b)	Wise Virtue
	(2)	Purchaser:	Fulbond Investments Limited, a wholly-owned subsidiary of the Company	
	(3)	Issuer of the SPA Consideration Shares and SPA Convertible Notes:	The Company	

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors and their ultimate beneficial owners are Independent Third Parties. The Vendors confirmed that they are not parties acting in concert with each other for the purposes of the Takeovers Code. The Vendors and their ultimate beneficial owners are not related to Mr Zhang Xi, an executive Director. There will be no change in the Board composition as a result of the Acquisition.

Assets to be acquired

The Sale Shares, representing not less than 80% of the entire enlarged issued share capital of Prowealth as at the date of Completion. Together with the Previous Acquisition which was completed on 30 May 2008, the Company will hold the entire issued share capital of Prowealth as at the date of Completion.

Consideration

The total consideration for the Acquisition is HK$484,000,000 and it is to be satisfied in the following manners:–

1. HK$323,088,240 is to be satisfied by the issue of SPA Consideration Shares to Wise Virtue at an issue price of HK$0.086 per SPA Consideration Shares on Completion.

2. HK$160,911,760 is to be satisfied by the issue of SPA Convertible Notes to the Vendors on Completion.

The Consideration has been arrived at after arm's length negotiations between the Company and the Vendors. The Directors consider that the Consideration is fair and reasonable and is in the interest of the Company and its Shareholders as whole after taken into consideration of: (1) the consolidated audited net profit after tax of Prowealth Group for the year ended 31 December 2007 of approximately HK$34.3 million, including a non-recurring gain of approximately HK$25.6 million of negative goodwill (Prowealth Group has adopted acquisition accounting which only takes into account 4 months' results from September to December 2007 for consolidated accounts); (2) the audited net profits before and after tax of Maoming Changxing and Hainan Jiadexin (the two key subsidiaries of the Prowealth Group) for the year ended 31 December 2007 of approximately RMB 15.9 million (approximately HK$17.5 million) and RMB 6.1 million (approximately HK$6.7 million) respectively; (3) the future business prospects of the Prowealth Group and (4) the future prospect of the seafood processing industry.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the approval for the listing of and permission to deal in the SPA Consideration Shares and the SPA Conversion Shares that may be allotted and issued upon conversion of the SPA Convertible Notes.

Principal terms of the SPA Convertible Notes

The SPA Convertible Notes consist of the Sun Boom Convertible Note and the Wise Virtue Convertible Note. Each of them will have substantially the same terms.

Principal amount of each of the SPA Convertible Notes

The principal amount will be HK$80,265,260 for the Wise Virtue Convertible Note and HK$80,646,500 for the Sun Boom Convertible Note.

Interest

The SPA Convertible Notes will bear interest at the rate of 6.00% per annum on the outstanding principal amount of the SPA Convertible Notes from its date of issue to the date of maturity of the SPA Convertible Notes. Interest will be payable semi-annually in arrears.

Conversion Price

The conversion price of the SPA Convertible Notes will be HK$0.086 per share, which is subject to the usual anti-dilution adjustments, on certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivatives issues.

The conversion price of the SPA Convertible Notes represents:

(a) a premium of approximately 7.5% to the closing price of HK$0.08 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a premium of approximately 6.2% to the average closing prices of HK$0.081 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the Agreement;

(c) a premium of approximately 3.6% to the average of the closing prices of HK$0.083 per Share as quoted on the Stock Exchange for the period from 15 May 2008 up to the date of the Agreement; and

(d) a premium of approximately 91.1% to the closing price of HK$0.045 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The conversion price of the SPA Convertible Notes was determined by the amount of the Consideration and the number of SPA Conversion Shares to be issued and allotted to the Vendors when the SPA Convertible Notes are converted, and was arrived at after arm's length negotiations between the Purchaser and the Vendors with reference to the relevant closing prices as shown above. The Directors consider that the conversion price of the SPA Convertible Notes are fair and reasonable.

Conversion period

The SPA Convertible Notes may be converted, at the option of the Vendors, at any time from the issue date of the SPA Convertible Notes up to and including the date which is immediately prior to the date of maturity of the SPA Convertible Notes.

SPA Conversion Shares

The Sun Boom Convertible Note and the Wise Virtue Convertible Note may be converted in the principal amount of HK$4,032,325 and HK$4,013,263 respectively, in both cases representing 5% of the principal amount of the respective SPA Convertible Notes, or its integral multiples.

In addition, the conversion right attaching to the SPA Convertible Notes cannot be exercised and accordingly the Company will not issue SPA Conversion Shares if and to the extent that the total number of SPA Conversion Shares with voting rights held by the holder of the respective SPA Convertible Notes and parties acting in concert with it within the meaning of the Takeovers Code immediately after the issue of the SPA

Conversion Shares would be more than 29.9% of the enlarged issued share capital of the Company or such other amount equal to 0.1% below the amount as may at the relevant time be specified in the Takeovers Code as being the level for triggering a mandatory general offer.

The number of SPA Conversion Shares to be issued from the conversion of Sun Boom Convertible Note is 937,750,000, representing approximately 10.20% of the existing issued share capital of the Company and approximately 9.25% of the enlarged issued share capital of the Company assume full conversion of the Sun Boom Convertible Note. The number of SPA Conversion Shares to be issued from the conversion of Wise Virtue Convertible Note is 933,316,976, representing approximately 10.15 % of the existing issued share capital of the Company and approximately 9.21% of the enlarged issued share capital of the Company assume full conversion of the Wise Virtue Convertible Note.

The new SPA Conversion Shares falling to be allotted and issued on the conversion of the SPA Convertible Notes, when allotted and issued, will rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of such Shares.

Maturity

The SPA Convertible Notes will mature on the date falling 60 months from the date of issue of the SPA Convertible Notes.

Unless previously converted or an earlier demand for repayment is made by the holder of the SPA Convertible Notes, the Company will repay the principal amount outstanding under the SPA Convertible Notes together with all interests accrued thereon up to and including the date of repayment, on the date of maturity of the SPA Convertible Notes. Demand for early repayment of the SPA Convertible Notes can be made by the holder at any time prior to the maturity date of the SPA Convertible Notes. The Company shall at any time upon written demand by such holder within one month from the date of receipt of such written demand repay the outstanding principal amount of the SPA Convertible Notes together with interests accrued thereon in full to the holder.

Transferability

No assignment or transfer of the SPA Convertible Notes will be permitted save with the prior written consent of the Company. It is the intention of the Company that no SPA Convertible Notes shall be assigned or transferred to any connected person of the Company. The Company will promptly notify the Stock Exchange upon becoming aware of any assignment or transfer of the SPA Convertible Notes to any connected person of the Company.

Voting

The Vendors will not be entitled to attend or vote at any meetings of the Company by reason only of their being the holders of the SPA Convertible Notes.

Listing

No application will be made for the approval for the listing of, and permission to deal in, the SPA Convertible Notes on the Stock Exchange or any other stock exchange.

Conditions precedent

Completion of the Agreement is subject to the fulfillment of the following conditions:

1. the Purchaser, being satisfied, at its absolute discretion, with the results of the due diligence review to be conducted by the Purchaser on the Prowealth Group;

2. the Vendors, being satisfied, at their absolute discretion, with the results of the due diligence review to be conducted by the Vendors on the Group;

3. the Purchaser having obtained and being satisfied with legal opinions (in the form and substance reasonably satisfactory to the Purchaser) addressed to the Purchaser:

    (a) by qualified lawyers in the PRC covering matters relating to Prowealth's subsidiaries incorporated in the PRC;

    (b) by qualified lawyers in Hong Kong covering matters relating to Prowealth's subsidiaries incorporated in Hong Kong; and

    (c) by qualified lawyers in BVI covering matters relating to Prowealth's subsidiaries incorporated in BVI;

4. the delivery by the Purchaser to the Vendors of legal opinions on matters of Bermuda, BVI and Hong Kong law confirming the validity and enforceability of the documents in relation to the SPA Convertible Notes and the due authorization of the Company to issue the SPA Conversion Shares, such opinions to be addressed to the Vendors and issued by qualified counsels in the relevant jurisdictions acceptable to the Vendors and in form and substance reasonably satisfactory to the Vendors;

5. the passing of the relevant resolution at the SGM for approving, among others, the Agreement and the transactions contemplated thereunder including the issue and allotment of securities;

6. the listing of, and permission to deal in, the SPA Consideration Shares, SPA Conversion Shares having been granted by the Listing Committee of the Stock Exchange;

7. between the date of the Agreement and the date of fulfilment or waiver of the last in time to be fulfilled of the conditions precedent (other than this condition), trading of the Shares on the main board of the Stock Exchange shall not have been suspended and no delisting of the Shares shall be pending or threatened save for (i) temporary suspension for no more than 20 consecutive trading days in relation to the clearance and issue of announcements or the circular of the Company pursuant to the Listing Rules or other regulatory requirements; or (ii) temporary suspension for no more than 10 consecutive trading days for other reasons;

8. all consents and acts required under the Listing Rules being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules and requirements having been obtained by the Company from the Stock Exchange;

9. all other necessary consents, authorisations, licences and approvals in relation to the Agreement and the transactions contemplated hereunder having been obtained from any relevant governmental or regulatory authorities or other relevant third parties by the relevant parties to the Agreement;

10. as at the date of fulfilment or waiver of the last in time to be fulfilled of the conditions precedent (other than this condition):

    (a) all the Vendors' warranties remain true and accurate in all material respects and not misleading in any material respect and no events or circumstances have occurred that would result in any breach of any of the Vendors' warranties or other provisions of the Agreement by the Vendors in any material respects;

    (b) no event or circumstance has arisen or is threatening to arise which would entitle the Purchaser to terminate or rescind the Agreement in accordance with its terms;

    (c) all the Purchaser's warranties remain true and accurate in all material respects and not misleading in any material respect and no event or circumstance has arisen or is threatening to arise that would result in any breach of any of the Purchaser's warranties or other provisions of the Agreement by the Purchaser or the Company in any material respects; and

    (d) no event or circumstance has arisen or is threatening to arise which would entitle the Vendors to terminate or rescind the Agreement in accordance with its terms;

11. Completion of the sale and purchase of Previous Sale Shares having occured in accordance with the terms of the Previous Agreement;

12. In relation to the sale of the SB Sale Shares, Prowealth shall have complied with its obligations under the Prowealth Convertible Bond following the exercise by Sun Boom of the conversion rights attaching to the Proweath Convertible Bond; and

13. All relevant loans and amounts due to all directors of Prowealth to the Prowealth Group being capitalized on terms satisfactory to the Purchaser.

If the above conditions have not all been fulfilled or waived by the Company by 31 October 2008 or such other date as may be agreed in writing by the parties, the Company will not be obliged to complete the Acquisition under the Agreement.

As at the Latest Practicable Date, condition 11 has been fulfilled.

Completion

Completion will take place on the third Business Day following the day on which the last of the outstanding conditions has been fulfilled or waived or such other date as is agreed in writing by the parties.

At Completion, the Company will, among other things, (i) issue to the Vendors the SPA Convertible Notes; (ii) issue and allot to Wise Virtue the SPA Consideration Shares credited as fully paid; and (iii) procure that Wise Virtue is registered on the register of members of the Company as the registered holder of the SPA Consideration Shares. The Acquisition will not result in a change in control of the Company.

SPA Consideration Shares

The Issue Price of HK$0.086 per SPA Consideration Share was determined after arm's length negotiations between the parties with reference to the recent market price of the Shares and the net asset value per Share as at 31 December 2007 of HK$0.6 cents.

The Issue Price represents:

(i) a premium of approximately 7.5% to the closing price of HK$0.08 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 6.2% to the average closing prices of HK$0.081 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the Agreement;

(iii) a premium of approximately 3.6% to the average of the closing prices of HK$0.083 per Share as quoted on the Stock Exchange for the period from 15 May 2008 up to the date of the Agreement;

(iv) a premium of approximately 91.1% to the closing price of HK$0.045 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and

(v) a premium of approximately 1333.3% over the net asset value per Share as at 31 December 2007 of HK$0.6 cents (based on the audited consolidated net assets of approximately US$6.5 million (approximately HK$50.7 million) as at 31 December 2007 and 9,197,779,755 Shares then in issue as shown in the latest annual report of the Company).

The SPA Consideration Shares represent approximately 40.85% of the existing issued share capital of the Company. The SPA Consideration Shares will represent approximately 29% of the issued share capital of the Company as enlarged by the issue of the SPA Consideration Shares. An ordinary resolution will be proposed to the Shareholders at the SGM for the issue of the SPA Consideration Shares.

Information on the Vendors and Prowealth

Sun Boom and Wise Virtue were incorporated in the BVI on 20 February 2007 and 12 April 2007 respectively.

As announced by the Company on 28 February 2008, the Company had conditionally agreed to purchase and Sun Boom had conditionally agreed to sell the Previous Sale Shares to the Company pursuant to the Previous Agreement, completion of the Previous Agreement took place on 30 May 2008. On 21 February 2008, Prowealth issued the Prowealth Convertible Bond to Sun Boom, which upon full exercise of the conversion rights attaching to the Prowealth Convertible Bond, Sun Boom will be able to sell the SB Sale Shares to the Purchaser. Conversion of the Prowealth Convertible Bond by Sun Boom is a condition precedent to Completion. Upon completion of the Previous Agreement and full conversion of the Prowealth Convertible Bond by Sun Boom, each of Sun Boom, Wise Virtue and the Purchaser will hold 1,667, 6,667 and 1,666 shares representing approximately 16.67%, 66.67% and 16.66% of the entire issued share capital of Prowealth. As at the Latest Practicable Date, Prowealth Convertible Bond has not been fully converted.

Both Sun Boom and Wise Virtue have not conducted any business since their dates of incorporation save for the holding of the investment in Prowealth and no audited accounts of Sun Boon and Wise Virtue have been prepared since then. Sun Boom is wholly owned by Ajia Partners Special Situations Fund I LP who is an Independent Third Party. Wise Virtue is wholly owned by Ms. Lam So Ying who is an Independent Third Party.

Prowealth is an investment holding company incorporated in the BVI on 17 May 2007, which holds 100% of the equity interest in Yield On and through various intermediary subsidiaries, Pride Joy, Smart Chance, H.K. Zhuoyue Investment Limited and Wealth Strong International Limited, holds 100% of the equity interest in Maoming Changxing and Hainan Jiadexin. Prowealth has not conducted any business since its date of incorporation save for its holding of the investment in Yield On, Maoming

Changxing and Hainan Jiadexin. Pride Joy, Smart Chance, H.K. Zhuoyue Investment Limited and Wealth Strong International Limited have not conducted any business save for investment holding of Maoming Changxing and Hainan Jiadexin since their respective date of incorporation and no audited accounts have been prepared since then. Yield On is a company incorporated in Hong Kong with limited liability and is engaged in the seafood trading business. Both Maoming Changxing and Hainan Jiadexin are limited companies established in the PRC and are principally engaged in seafood processing business in the PRC. Prowealth Group specialises in nursery, processing and export of tilapia fish and shrimp. Prowealth Group is a wholesaler and its customers mainly comprised of Australia, Korea and US seafood distributors and importers from other countries.

The audited consolidated net asset value of Prowealth Group as at 31 December 2007 was approximately HK$36.8 million. The audited consolidated net profit before and after tax of Prowealth Group for the year ended 31 December 2007 was approximately HK$34.3 million. No tax provision was made since the profit making subsidiaries were enjoying tax exemption during the year of 2007. The Prowealth Group has adopted acquisition accounting which only takes into account 4 months' results from September to December 2007 for consolidated accounts.

The audited financial information of Prowealth and its subsidiaries have been prepared in accordance with HK GAAP. Upon Completion, the Company will hold 100% of the issued share capital of Prowealth and, Prowealth will become a wholly-owned subsidiary of the Company and results of which will be consolidated into the accounts of the Group.

Reasons for the Acquisition

The Group is principally engaged in the business of manufacturing and sale of wooden products, such as door skins and particle board products.

The Previous Acquisition provided an opportunity for the Group to develop a new line of business in the food processing industry while continuing with its existing business. As stated in the 2007 Annual Report of the Company, the Board believes that the Group will be able to broaden its source of income by diversifying its business into seafood trading and processing food business in the PRC and improve the profitability by broadening its business scope. Further to the Previous Acquisition, as disclosed in the announcement of the Company dated 21 May 2008, the Company, through a wholly owned subsidiary, has acquired the entire equity interests in Maoming Jiaxing Foods Co., Limited which holds the land use right in a piece of land located in the Science & Technology Industrial Zone, Dianbai, Maoming, Guangdong Province with an approximate total site area of 16,500 square metres and the Company intends to use the land for the construction of ice and cold storage facilities to further develop it seafood trading and processing food business. The Acquisition will further expand their development in the seafood trading and food processing business. The Company will continue its existing business and there is no present intention to change the principal business of the Group.

The Directors (including independent non-executive Directors) believe that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

Financial and trading prospects of the Group

The Group is principally engaged in the business of manufacturing and sale of wooden products, such as door skins and particle board products.

For the past year, the business environment of wooden products remained unfavourable with a constant appreciation of RMB and a rise in raw materials and labour costs. In order to keep the competitive level of the Group, the Group has to keep the price at a reasonable level. The inflated cost is difficult to pass on to the customers. In order to improve the overall performance of the Group and allocate resources in a more efficient way, the Board had decided to dispose the entire interests in an associated company, Hubei Fuhan Timber Company Limited in 2007.

On the other hand, the financial performance of the door skin segment has made a good performance. The moulded door skins are mainly exported to overseas markets, including Turkey, Middle East and Pakistan. The Group will seek to keep its competitiveness level to introduce new moulded door skins to the Middle-East market.

Looking forward, the Group will continue to strengthen its financial situation and expand its revenue base. On the other hand, the Group will continue to reengineer the business operations and turn around its business through implementation of the restructuring of management and business operations. To improve efficiency and productivity, the management will continue to implement the cost control measures and consolidation of the Group's resources and seek to capture every good opportunity in all old and new businesses.

In addition, the Group will also strive to enhance shareholding value through identifying various and feasible business opportunities. The Previous Acquisition together with the Acquisition provided an opportunity for the Group to develop a new line of business in the food processing industry while continuing with its existing business.

Financial effect on the Group

As set out in the pro forma financial information in Appendix III to this circular, as a result of the Acquisition (assuming the Acquisition has been completed on 31 December 2007), the proforma adjusted consolidated net asset value of the Group (attributable to the equity holders of the Company) increased from approximately US$6,508,000 (approximately HK$50,762,400) immediately before the Acquisition to approximately US$62,283,000 (approximately HK$485,807,400) immediately following the Acquisition. The proforma adjusted consolidated total asset of the Group would increase from approximately US$31,336,000 (approximately HK$244,420,800) to approximately US$131,842,000 (approximately HK$1,028,367,600). The proforma adjusted current liabilities would increase from approximately US$20,278,000 (approximately HK$158,168,400) to US$63,883,000 (approximately HK$498,287,400) while the proforma adjusted non-current liabilities would increased from approximately US$1,075,000 (approximately HK$8,385,000) to approximately US$1,251,000 (approximately HK$9,757,800) as a result of the Acquisition.

As set out in the pro forma financial information in Appendix III to this circular, as a result of the Acquisition (assuming the Acquisition has been completed on 31 December 2007), the proforma adjusted turnover of the Group for the year increased from approximately US$24,016,000 (approximately HK$187,324,800) to approximately US$41,387,000 (approximately HK$322,818,600), representing an increase of approximately 72.3% while the proforma adjusted gross profit for the year increased from approximately US$4,717,000 (approximately HK$36,792,600) to approximately US$6,985,000 (approximately HK$54,483,000), representing an increase of approximately 48.1%. As a result of the Acquisition, the proforma adjusted loss attributable to the equity holders of the Company would decrease from approximately US$7,455,000 (approximately HK$58,149,000) to approximately US$4,857,000 (approximately HK$37,884,600) (including a non-recurring gain of approximately HK$25.6 million of negative goodwill).

The proforma financial information, such as the proforma income statement and cash flow statement set out in Appendix III to this circular has been prepared based on the audited accounts of the Group for the year ended 31 December 2007 and the audited accounts of Prowealth for the year ended 31 December 2007. The Prowealth Group has adopted acquisition accounting which only takes into account 4 months' results from September to December 2007 for consolidated accounts. Accordingly, the proforma financial information in Appendix III to this circular is prepared for illustrative purposes only and Shareholders should refer to the individual accounts of the operating subsidiaries as set out in Appendix II to this circular.

(2) PROPOSED SHARE CONSOLIDATION AND CHANGE OF BOARD LOT SIZE

Share Consolidation:

It is proposed that, subject to the conditions set out below, every five (5) Shares in the issued and unissued ordinary share capital of the Company will be consolidated into one (1) Consolidated Share of US$0.005.

As at the Latest Practicable Date, there were 9,197,779,755 Shares in issue. On the basis of such issued share capital only, there will be 1,839,555,951 Consolidated Shares in issue following the Share Consolidation (assuming that there are no changes in the share capital of the Company, from the date of this Announcement and up to the effective date of the Share Consolidation).

Conditions of the Share Consolidation:

The Share Consolidation will be conditional upon:–

(i) the passing at the SGM of an ordinary resolution approving the Share Consolidation; and

(ii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal, in the Consolidated Shares and the Consolidated Shares falling to be issued upon exercise of the rights attaching to the Share Options.

Reasons for the Share Consolidation:

As the proposed Share Consolidation will increase the nominal value of the shares of the Company and it is expected that the trading price of the shares of the Company will also increase, the Directors consider that the proposed Share Consolidation will make the shares of the Company more attractive to investors and is beneficial to the Company for its future fund-raising activities. The trading costs of the Consolidated Shares of the Company will also be reduced as a result of the Share Consolidation.

The Share Consolidation will not in itself, alter the underlying assets, business, operations, management or financial position of the Company except for the payment of related expenses in connection with the Share Consolidation.

Odd Lots Arrangements:	In order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Shares, Sanfull Securities Limited has been appointed by the Company, to act as an agent to match, on a "best effort" basis, the sale and purchase of odd lots of Consolidated Shares from the Share Consolidation during the period from 18 July 2008 to 21 August 2008, both days inclusive. Sanfull Securities Limited and its ultimate beneficial owners are Independent Third Party. Such arrangement is to facilitate Shareholders who wish to acquire odd lots of Consolidated Shares to make up a full board lot, or to dispose of their holdings of odd lots of Consolidated Shares. Holders of the Consolidated Shares in odd lots may, directly or through their brokers, contact Sanfull Securities Limited during such period. The address of Sanfull Securities Limited is Suite 2001-6, 20th Floor, Cosco Tower, 183 Queen's Road Central, Hong Kong and the contact person is Ms. Yvonne Law at (852) 2853 2128. Shareholders should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed.
Ranking:	The Consolidated Shares will rank pari passu in all respects with each other.
Board Lot Size:	The board lot of the Consolidated Shares will be changed from 2,000 Shares to 5,000 Consolidated Shares. Based on the closing price of HK$0.08 per Share as at the Last Trading Day, the value of a board lot of Consolidated Share is HK$2,000.
Reasons for change of board lot size:	The change of board lot size is proposed after taking into account of the dilution effects of the issue of the Convertible Note, the Previous SPA Convertible Note, SPA Consideration Shares and SPA Convertible Notes.

Free Exchange of Certificates for Shares and Trading Arrangement:

Subject to the Share Consolidation becoming effective on 18 July 2008, parallel trading arrangements will be established with the Stock Exchange and the arrangement proposed for the Consolidated Shares are expected to be as follows:

(a) With effect from 9:30 a.m. on 18 July 2008, a temporary counter for trading in the Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing red colour share certificates) will be established and only red colour share certificates can be traded at this counter. Each red colour share certificate for the Shares will be valid for settlement and delivery for trading transacted at this counter on the basis of five (5) Shares for one new Consolidated Share. The existing counter for trading in the Shares in board lots of 2,000 Shares will be temporarily closed effective from 9:30 a.m. on 18 July 2008;

(b) with effect from 9:30 a.m. on 1 August 2008, the existing counter will be re-opened and will become a counter for trading in the Consolidated Shares in board lots of 5,000 Consolidated Shares in the form of new blue colour share certificates. Only new blue colour share certificates can be traded at this counter;

(c) parallel trading will be permitted from 1 August 2008 to 21 August 2008, both days inclusive, at the counters mentioned in (a) and (b) above; and

(d) the temporary counter for trading in the Consolidated Shares in board lots of 400 Consolidated Shares in the form of existing red share certificates will be removed after 4:10 p.m. on 21 August 2008.

Subject to the Share Consolidation becoming effective, Shareholders may, during business hours from 18 July 2008 to 29 August 2008 (both dates inclusive), submit their existing red certificates for the Shares to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in exchange for new blue certificates for the Consolidated Shares (on the basis of every five (5) Shares for one (1) Consolidated Share) free of charge. Thereafter, existing share certificates for Shares will be accepted for exchange only on payment of a fee of HK$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each new certificate issued for the Consolidated Shares or each old share certificate submitted (whichever is greater).

Dealings in the Shares represented by existing certificates will cease after 4:10 p.m. on 21 August 2008. Existing share certificates will only be valid for delivery and settlement in respect of dealings for the period up to 4:10 p.m. on 21 August 2008 and thereafter will not be acceptable for dealing purposes. However, existing certificates for Shares will continue to be evidence of title to the shares held in the Company on the basis of five (5) Shares for one (1) Consolidated Share.

Application for Listing: The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Consolidated Shares and the Consolidated Shares falling to be issued upon exercise of the Share Options.

Authorised Share Capital: Upon the Share Consolidation becoming effective, the authorised share capital of the Company is US$100,000,000 divided into 20,000,000,000 Consolidated Shares of US$0.005 each.

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Changes of shareholding structure

Upon issue and allotment of the SPA Consideration Shares and full conversion of the SPA Convertible Notes or the Convertible Note or the Previous SPA Convertible Note into Shares and the full exercise of the subscription rights attaching to the Warrants, assuming there will not be any adjustments to the Conversion Price or the price of conversion of the Convertible Note or the Previous SPA Convertible Notes and there will not be any allotment or issue of new Shares or share repurchase by the Company, the shareholding structure of the Company will be as follows:

Shareholders	As at the Latest Practicable Date		Upon full conversion of the Convertible Note		Upon full conversion of the Previous SPA Convertible Note		Upon the full exercise of the subscription rights attaching to the Warrants		Upon issue of SPA Consideration Shares		Upon allotment of SPA Consideration Shares and full conversion of the SPA Convertible Notes (to the extent the conversion rights of the SPA Convertible Notes could be exercised)		Upon allotment of the SPA Consideration Shares, full conversion of the SPA Convertible Notes and Previous Convertible Note and the full exercise of the subscription rights attaching to the Warrants		Upon allotment of the SPA Consideration Shares, full conversion of the SPA Convertible Notes and Previous Convertible Note and the full exercise of the subscription rights attaching to the Warrants and immediately after the Share Consolidation	
	Number of Shares held	Approximate shareholding percentage	Number of Shares held	Approximate shareholding percentage	Number of Shares held	Approximate shareholding percentage	Number of Shares held	Approximate shareholding percentage	Number of Shares held	Approximate shareholding percentage	Number of Shares held	Approximate shareholding percentage	Number of Shares held	Approximate shareholding percentage	Number of Consolidated Shares held	Approximate shareholding percentage
	Shares	*%*	*Shares*	*%*	*Shares*	*%*	*Shares*	*%*	*Shares*	*%*	*Shares*	*%*	*Shares*	*%*	*Shares*	*%*
Zhang Xi *(Note)*	2,092,826,000	22.75	2,092,826,000	21.95	2,092,826,000	19.73	2,092,826,000	19.56	2,092,826,000	16.16	2,092,826,000	14.47	2,092,826,000	11.58	418,565,200	11.58
Public Shareholders																
– Vendors																
(i) Sun Boom also subscriber of the Convertible Note			335,581,395	3.52	1,406,976,744	13.27	–	–			937,750,000	6.49	2,680,308,139	14.84	536,061,627	14.84
(ii) Wise Virtue									3,756,840,000	29.00	4,323,143,219	29.90	4,690,156,976	25.96	938,031,395	25.96
Placees of Warrants							1,500,000,000	14.02					1,500,000,000	8.30	300,000,000	8.30
– Other public Shareholders	7,104,953,755	77.25	7,104,953,755	74.53	7,104,953,755	67.00	7,104,953,755	66.42	7,104,953,755	58.84	7,104,953,755	49.14	7,104,953,755	39.32	1,420,990,751	39.32
Total	9,197,779,755	100.00	9,533,361,150	100.00	10,604,756,499	100.00	10,697,779,755	100.00	12,954,619,755	100.00	14,458,672,974	100.00	18,068,244,870	100.00	3,613,648,973	100.00

Note: Mr. Zhang Xi, an executive Director, is the beneficial owner of 2,092,826,000 Shares. He is deemed to be interested in those Shares which are held by Civil Talent International Limited, the entire issued share capital of which is beneficially owned by him.

Fund raising exercise by the Company in the past twelve months

The following table summaries the fund raising activities of the Group for the 12 months immediately preceding the Latest Practicable Date:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
27 December 2007	Issue and placing of the Warrants	Approximately HK$1.3 million; An additional amount of HK$111,000,000 will be raised upon the full exercise of the Warrants	(i) as to approximately HK$1.3 million towards the general working capital of the Group (ii) as to approximately HK$111,000,000 towards the general working capital of the Group and as funds for future development of the existing businesses of the Group and other business when investment opportunities arise	(i) As intended (ii) None of the Warrants have been exercised as at the date hereof
29 February 2008	Issue of Convertible Note	Approximately HK$26,860,000	Towards the general working capital of the Group/or any suitable investments	Part of the proceed of RMB 4.8 million (approximately HK$5.2 million) used to develop the seafood trading and food processing business by acquiring a company with relevant land use right for the construction of ice and cold storage as announced by the Company on 21 May 2008. The remaining proceeds of HK$21.66 million has been used for the general working capital of the Group

Save as disclosed above, no other fund raising activity has been carried out by the Group in the 12 months immediately prior to the Latest Practicable Date.

RECOMMENDATION

The Directors consider the terms of the Agreement and the proposed Share Consolidation are fair and reasonable and in the interests of the Company and the Shareholders as a whole and so recommend Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM. As no Shareholder or its associates have interests in the Agreement or the Share Consolidation which are different from the other Shareholders, no Shareholder is required to abstain from voting on the resolutions to be proposed at the SGM.

SGM

A notice convening the SGM to be held at Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong, on Thursday, 17 July 2008 at 11:00 am is set out on page VI-1 to page VI-2 of this circular.

A form of proxy for use by the Shareholders at the SGM is enclosed in this circular. Whether or not you are able to attend the SGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrars and transfer office of the Company, Computershare Hong Kong investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event, not less than 48 hours before the time appointed for holding the SGM. Such form of proxy for use at the SGM is also published on the website of the Stock Exchange at www.hkex.com.hk. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

PROCEDURES FOR DEMANDING A POLL

Pursuant to article 66 of the Bye-Laws, a resolution put to the vote of a meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the a designated stock exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

(i) the chairman of the meeting; or

(ii) at least three Shareholders present in person or by a duly authorized corporate representative (in the case of a Shareholder being a corporation) or by proxy for the time being entitled to vote at the meeting; or

(iii) a Shareholder or Shareholders present in person or by a duly authorized corporate representative (in the case of a Shareholder being a corporation) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

(iv) a Shareholder or Shareholders present in person or by a duly authorized corporate representative (in the case of a Shareholder being a corporation) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or

(v) if required by the Listing Rules, any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights at such meeting.

ADDITIONAL INFORMATION

Your attention is drawn to the information contained in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Fulbond Holdings Limited
Zhang Xi
Chairman

1. FINANCIAL SUMMARY

Set out below are the audited consolidated income statement and audited consolidated balance sheet extracted from the relevant annual reports of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	2007	**2006**	**2005**
	US$'000	*US$'000*	*US$'000*
Turnover	24,016	26,308	22,485
Cost of sales	(19,299)	(23,379)	(20,880)
Gross profit	4,717	2,929	1,605
Other income	1,694	700	1,410
Selling and distribution costs	(3,952)	(3,120)	(2,333)
Administrative expenses	(4,776)	(3,867)	(3,192)
Other operating expenses	(5,016)	(37)	–
Impairment loss recognised in respect of property, plant and equipment	(172)	(268)	–
Finance costs	(915)	(883)	(746)
Gain on disposal of associates	559	–	–
Share of results of associates	(319)	(2,692)	(1,801)
Loss before taxation	(8,180)	(7,238)	(5,057)
Taxation	(586)	(1,059)	(1,040)
Loss for the year	(8,766)	(8,297)	(6,097)
Attributable to:			
Equity holders of the Company	(7,455)	(7,017)	(5,068)
Minority interests	(1,311)	(1,280)	(1,029)
	(8,766)	(8,297)	(6,097)
Loss per share-basic	(0.08) US cent	(0.08) US cent	(0.06) US cent

CONSOLIDATED BALANCE SHEET
At 31 December

	2007	2006	2005
	US$'000	*US$'000*	*US$'000*
Non-current assets			
Property, plant and equipment	12,967	14,944	16,489
Prepaid lease payments	810	905	956
Interests in associates	–	349	3,008
Other investments	–	–	–
Club debenture	–	–	37
Deferred tax assets	–	–	943
	13,777	16,198	21,433
Current assets			
Inventories	6,653	6,561	9,229
Trade and other receivables	2,370	5,986	6,561
Deposits and prepayments	1,585	1,408	1,418
Prepaid lease payments	63	108	102
Taxation recoverable	–	48	100
Bank balances and cash	6,888	3,661	2,635
	17,559	17,772	20,045
Current liabilities			
Trade and other payables	8,858	7,265	6,083
Amounts due to associates	98	531	118
Amount due to a former associate	49	–	–
Amount due to a shareholder	702	–	–
Amount due to former ultimate holding company	560	560	560
Taxation payable	242	–	–
Bank and other borrowings-amount due within one year	9,769	10,015	10,887
	20,278	18,371	17,648
Net current liabilities	(2,719)	(599)	2,397
Total assets less current liabilities	11,058	15,599	23,830
Non-current liabilities			
Bank and other borrowings – amount due after one year	1,075	1,659	727
	9,983	13,940	23,103

	2007	2006	2005
	US$'000	*US$'000*	*US$'000*
Capital and reserves			
Share capital	9,197	9,197	9,197
Reserves	(2,689)	(240)	5,962
Equity attributable to equity holders of the Company	6,508	8,957	15,159
Minority interests	3,475	4,983	7,944
	9,983	13,940	23,103

2. SUMMARY OF AUDITED FINANCIAL STATEMENTS

Set out below are the audited consolidated income statement, audited consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statements and notes to the financial statements of the Group extracted from the annual report of the Company for the year ended 31 December 2007.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 US$'000	2006 US$'000
Turnover	7	24,016	26,308
Cost of sales		(19,299)	(23,379)
Gross profit		4,717	2,929
Other income	8	1,694	700
Selling and distribution costs		(3,952)	(3,120)
Administrative expenses		(4,776)	(3,867)
Other operating expenses		(5,016)	(37)
Impairment loss recognised in respect of property, plant and equipment		(172)	(268)
Finance costs	9	(915)	(883)
Gain on disposal of associates	15	559	–
Share of results of associates		(319)	(2,692)
Loss before taxation		(8,180)	(7,238)
Taxation	10	(586)	(1,059)
Loss for the year	11	(8,766)	(8,297)
Attributable to:			
Equity holders of the Company		(7,455)	(7,017)
Minority interests		(1,311)	(1,280)
		(8,766)	(8,297)
Loss per share-basic	12	(0.08) US cent	(0.08) US cent

CONSOLIDATED BALANCE SHEET
At 31 December 2007

	Notes	2007 US$'000	2006 US$'000
Non-current assets			
Property, plant and equipment	13	12,967	14,944
Prepaid lease payments	14	810	905
Interests in associates	15	–	349
Other investments	16	–	–
Club debenture	17	–	–
Deferred tax assets	18	–	–
		13,777	16,198
Current assets			
Inventories	19	6,653	6,561
Trade and other receivables	20	2,370	5,986
Deposits and prepayments		1,585	1,408
Prepaid lease payments	14	63	108
Taxation recoverable		–	48
Bank balances and cash	21	6,888	3,661
		17,559	17,772
Current liabilities			
Trade and other payables	22	8,858	7,265
Amounts due to associates	23	98	531
Amount due to a former associate	23	49	–
Amount due to a shareholder	24	702	–
Amount due to former ultimate holding company	25	560	560
Taxation payable		242	–
Bank and other borrowings-amount due within one year	26	9,769	10,015
		20,278	18,371
Net current liabilities		(2,719)	(599)
Total assets less current liabilities		11,058	15,599
Non-current liabilities			
Bank and other borrowings – amount due after one year	26	1,075	1,659
		9,983	13,940

	Notes	**2007** *US$'000*	**2006** *US$'000*
Capital and reserves			
Share capital	*27*	9,197	9,197
Reserves		(2,689)	(240)
Equity attributable to equity holders of the Company		6,508	8,957
Minority interests		3,475	4,983
		9,983	13,940

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	General reserve	Exchange translation reserve	Share option reserve	Capital redemption reserve	Accumulated losses	Sub-total	Minority interests	Total
	US$'000	*US$'000*	*US$'000* *(Note a)*	*US$'000* *(Note b)*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at 1 January 2006	9,197	47,640	716	1,585	761	–	4	(44,744)	15,159	7,944	23,103
Share of reserves of associates	–	–	–	–	33	–	–	–	33	–	33
Exchange differences arising on translation of functional currency to presentation currency	–	–	–	–	782	–	–	–	782	305	1,087
Net income recognised directly in equity	–	–	–	–	815	–	–	–	815	305	1,120
Loss for the year	–	–	–	–	–	–	–	(7,017)	(7,017)	(1,280)	(8,297)
Total recognised income and expenses for the year	–	–	–	–	815	–	–	(7,017)	(6,202)	(975)	(7,177)
Capital repatriation to a minority shareholder	–	–	–	–	–	–	–	–	–	(1,986)	(1,986)
Balance at 31 December 2006	9,197	47,640	716	1,585	1,576	–	4	(51,761)	8,957	4,983	13,940
Exchange differences arising on translation of functional currency to presentation currency	–	–	–	–	585	–	–	–	585	282	867
Net income recognised directly in equity	–	–	–	–	585	–	–	–	585	282	867
Loss for the year	–	–	–	–	–	–	–	(7,455)	(7,455)	(1,311)	(8,766)
Reserves released upon disposal of associates	–	–	(165)	(209)	420	–	–	–	46	–	46
Total recognised income and expenses for the year	–	–	(165)	(209)	1,005	–	–	(7,455)	(6,824)	(1,029)	(7,853)
Recognition of equity-settled share based payments	–	–	–	–	–	4,003	–	–	4,003	–	4,003
Deemed capital contribution from a minority shareholder of a subsidiary *(Note 31)*	–	–	372	–	–	–	–	–	372	305	677
Dividends paid to a minority shareholder	–	–	–	–	–	–	–	–	–	(784)	(784)
Transfer	–	–	–	593	–	–	–	(593)	–	–	–
Balance at 31 December 2007	9,197	47,640	923	1,969	2,581	4,003	4	(59,809)	6,508	3,475	9,983

Notes:

(a) Capital reserve represents the reserve arising from the group restructuring which took place in 1996.

(b) General reserve comprises Enterprise Expansion Fund and General Reserve Fund set aside by certain subsidiaries in the PRC in accordance with the memorandum and articles of association of those subsidiaries.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	2007	2006
	US$'000	*US$'000*
Operating activities		
Loss before taxation	(8,180)	(7,238)
Adjustments for:		
Amortisation of prepaid lease payments	118	105
Depreciation of property, plant and equipment	3,100	2,914
Interest income	(46)	(24)
Interest expenses	915	883
Share of results of associates	319	2,692
(Gain) loss on disposal of property, plant and equipment	(43)	11
Recognition of share-based payments	4,003	–
Gain on disposal of associates	(559)	–
Allowance for bad and doubtful debts	1,021	758
Write down of inventories to net realisable value	424	659
Impairment loss recognised in respect of club debenture	–	37
Impairment loss recognised in respect of property, plant and equipment	172	268
Operating cash flows before movements in working capital	1,244	1,065
(Increase) decrease in inventories	(793)	2,563
Decrease in trade and other receivables	2,342	61
(Increase) decrease in deposits and prepayments	(294)	10
Increase in trade and other payables	2,202	817
Cash generated from operations	4,701	4,516
PRC Enterprise Income Tax paid	(305)	–
Net cash generated from operating activities	4,396	4,516
Investing activities		
Purchases of property, plant and equipment	(772)	(671)
Interest received	46	24
Proceeds from disposal of property, plant and equipment	6	10
Proceeds from disposal of associates	605	–
Proceeds from disposal of prepaid lease payments	107	–
Net cash used in investing activities	(8)	(637)

	2007 *US$'000*	2006 *US$'000*
Financing activities		
Interest paid	(915)	(883)
New bank loans raised	9,084	8,480
Repayments of bank loans	(9,084)	(9,018)
(Repayment to) advances from associates	(389)	406
Advances from a former associate	49	–
Capital repatriated to a minority shareholder of a subsidiary	–	(1,986)
Dividends paid to minority shareholders of a subsidiary	(784)	–
Advance from a shareholder	702	–
Net cash used in financing activities	(1,337)	(3,001)
Increase in cash and cash equivalents	3,051	878
Cash and cash equivalents at 1 January	3,661	2,635
Effect of changes in foreign exchange rates	176	148
Cash and cash equivalents at 31 December, represented by bank balances and cash	6,888	3,661

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As at 31 December 2006, the immediate holding company and ultimate holding company of the Company was Civil Talent International Limited ("CTIL"), a company incorporated in the British Virgin Islands. During the year ended 31 December 2007, CTIL placed down its equity interest in the Company from 51.01% to 30.36%. As at 31 December 2007, the Company did not have immediate and ultimate holding company. The address of the registered office and principal place of business of the Company are disclosed in the Corporate Information of the annual report.

The consolidated financial statements are presented in United States dollar while the functional currency of the Company is Renminbi. The directors consider this presentation currency is more useful for its current and potential investors.

The Company acts as an investment holding company. The principal activities of its subsidiaries and associates as at 31 December 2007 are the manufacturing and sale of wooden products.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the consolidated financial statements the directors have given consideration to the future liquidity of the Group. While recognising that the Group had sustained a net current liabilities of US$2,719,000 as at 31 December 2007, the Group has obtained financial support from a shareholder of the Company, CTIL, to enable the Group to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standard, amendment of Hong Kong Accounting Standards ("HKASs"), interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of embedded derivatives
HK(IFRIC)-Int 10	Interim financial reporting and impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and separate financial statements [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [1]
HKFRS 3 (Revised)	Business combinations [2]
HKFRS 8	Operating segments [1]
HK(IFRIC)-Int 11	HKFRS 2: Group and treasury share transactions [3]
HK(IFRIC)-Int 12	Service concession arrangements [4]
HK(IFRIC)-Int 13	Customer loyalty programmes [5]
HK(IFRIC)-Int 14	HKAS 19-The limit on a defined benefit asset, minimum funding requirements and their interaction [4]

[1] Effective for annual periods beginning on or after 1 January 2009.

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

[3] Effective for annual periods beginning on or after 1 March 2007.

[4] Effective for annual periods beginning on or after 1 January 2008.

[5] Effective for annual periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention. The accounting policies are set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purpose. Construction in progress is carried at cost less any identified impairment loss. Construction in progress is classified to other appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, takes place on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Government grants

Government grants, in the form of value added tax refunds, are recognised as income when there is reasonable assurance that the entity will comply with the conditions attaching to the grant and the grant will be received, which is the date when the local government authority approves the grant.

Impairment loss

At each balance sheet date, the Group reviews the carrying amount of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value is determined as the estimated net selling price less all further costs of production and the related costs of marketing, selling and distribution.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

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.

Borrowing costs

Borrowing costs are recognised and included in finance costs in the consolidated income statement in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are mainly classified into one of two categories, including loans and receivables and available-for-sale financial assets. The accounting policies are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, held-to-maturity investments and loans and receivables.

For available-for-sale investments, comprising other investments, which do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to associates/former associates, amount due to a shareholder/former ultimate holding company, bank and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Share options granted to directors and employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant rate when the share options granted vest immediately, with a corresponding increase in share option reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated from their respective functional currencies into the presentation currency of the Group (i.e. United States dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefits

Payments to Mandatory Provident Fund ("MPF") scheme are charged as an expense when employees have rendered services entitling them to the contribution. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 26, bank balances and cash and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a semi-annually basis. As part of this review, the directors consider the cost of capital and will balance its overall capital structure through the new shares issues as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2007	**2006**
	US$'000	*US$'000*
Financial assets		
Loans and receivables (including cash and cash equivalent)	9,258	9,647
Available-for-sales financial assets	–	–
Financial liabilities		
Amortised cost	19,694	19,340

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, trade and other payables, amount due to a shareholder/former ultimate holding company and amounts due to associates/ former associates, bank and other borrowings and bank balances and cash. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and certain trade receivables and borrowings (see notes 20 and 26 respectively) are denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at balance sheet dates are as follows:

	2007		2006	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	US$'000	*US$'000*	*US$'000*	*US$'000*
United States Dollars	519	631	28	925
Hong Kong Dollars	915	2,832	1,614	1,890
	1,434	3,463	1,642	2,815

Sensitivity analysis

The Group mainly expose to currency of United States Dollars and Hong Kong Dollars. The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currency while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at each balance sheet date for a 5% change in foreign currency rates.

The sensitivity analysis includes monetary items where the denomination of the balances is in a currency other than the functional currency of the respective group entities. A positive number below indicates a decrease in loss for the year where RMB weakens 5% against the relevant currency. For a 5% strengthening of RMB against the relevant currency, there would be an equal and opposite impact on the result for the year.

	2007	**2006**
	US$'000	*US$'000*
United States Dollars	(26)	(2)
Hong Kong Dollars	(13)	(35)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other loans and a three year loan note. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fixed-rate short-term bank deposits is subject to cash flow interest rate risk as the fixed deposits are renewed every one to three months.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. It is the Group's policy to keep its borrowings at fixed rate of interests so as to minimise the cash flow interest rate risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank deposits at the balance sheet date. For short-term bank deposits, the analysis is prepared assuming the amount of deposits at the balance sheet date was existing for the whole year. A 100 basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been 100 basis points higher and all other variables were held constant, the Group's loss for the year ended 31 December 2007 would decrease by US$48,000 (2006: US$36,000). There would be an equal and opposite impact on the result for the year where there had been 100 basis points lower.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on trade and other receivables, with exposure spread over a number of counterparties and customers.

The credit risk on bank deposits and bank balances is limited because majority of the counterparties are state-owned banks with good reputation or banks with good credit rating.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including raising of loans to cover expected cash demands, subject to approval by the board of directors of the Company when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its short and long term liquidity requirements.

The Group had sustained a net current liabilities of US$2,719,000 as at 31 December 2007. As outlined in note 2, the directors of the Company has obtained financial support from CTIL to enable the Group to meet in full its financial obligations as they fall due in the foreseeable future. In this regard, the directors of the Company consider that the Group's liquidity risk is significantly reduced.

The following table details the Group's expected maturity of the major financial liabilities that are exposed to liquidity risk. For financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	On demand	Not more than 3 months	Over 3 months but not more than 6 months	Over 6 months but not more than 1 year	Over 1 year	Total undiscounted cash flow	Carrying amount
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 31 December 2007								
Trade and other payables	–	7,441	–	–	–	–	7,441	7,441
Amount due to associates	–	98	–	–	–	–	98	98
Amount due to a former associate	–	49	–	–	–	–	49	49
Amounts due to a shareholder	–	702	–	–	–	–	702	702
Amounts due to former ultimate holding company	–	560	–	–	–	–	560	560
Bank and other borrowings	6.7	399	1,768	1,376	6,703	1,075	11,321	10,844
		9,249	1,768	1,376	6,703	1,075	20,171	19,694
At 31 December 2006								
Trade and other payables	–	6,575	–	–	–	–	6,575	6,575
Amount due to associates	–	531	–	–	–	–	531	531
Amounts due to former ultimate holding company	–	560	–	–	–	–	560	560
Bank and other borrowings	6.0	1,404	1,611	1,253	6,174	1,659	12,101	11,674
		9,070	1,611	1,253	6,174	1,659	19,767	19,340

Fair value

The fair values of financial assets and financial liabilities are based on discounted cash flow analysis using prices or rates from observable current market transactions as input. The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold and services provided.

(a) Business segments

For management purposes, the Group is currently organised into four principal operating divisions, the principal activities of which are disclosed as follows and these divisions form the basis on which the Group reports its primary segment information.

Principal activities:

Blockboard and particle board	–	manufacture and trading of products of blockboard and particle board
Door skin	–	manufacture and trading of door skin
Other wooden products	–	manufacture and trading of wooden products other than those identified as above
Others	–	high-technology related business

(i) Segment information about these businesses is presented below:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2007

	Blockboard and particle board	**Door skin**	**Other wooden products**	**Others**	**Consolidated**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
TURNOVER					
External sales	8,737	14,061	1,218	–	24,016
RESULT					
Segment result	(3,046)	1,265	110	–	(1,671)
Unallocated corporate expenses					(5,834)
Finance costs					(915)
Gain on disposal of associates	–	–	–	559	559
Share of results of associates	–	–	–	(319)	(319)
Loss before taxation					(8,180)
Taxation					(586)
Loss for the year					(8,766)

CONSOLIDATED ASSETS AND LIABILITIES
As at 31 December 2007

	Blockboard and particle board	Door skin	Other wooden products	Others	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
ASSETS					
Segment assets	7,821	15,299	278	–	23,398
Interests in associates	–	–	–	–	–
Unallocated corporate assets					7,938
Consolidated total assets					31,336
LIABILITIES					
Segment liabilities	4,217	4,534	82	–	8,833
Unallocated corporate liabilities					12,520
Consolidated total liabilities					21,353

OTHER INFORMATION
For the year ended 31 December 2007

	Blockboard and particle board	Door skin	Other wooden products	Unallocated	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Additions of property, plant and equipment	216	451	39	66	772
Amortisation of prepaid lease payments	74	40	4	–	118
Depreciation of property, plant and equipment	952	1,918	166	64	3,100
(Gain) loss on disposal of property, plant and equipment	(53)	9	1	–	(43)
Allowance for bad and doubtful debts	905	106	10	–	1,021
Write down of inventories to net realisable value	424	–	–	–	424
Impairment loss recognised in respect of property, plant and equipment	164	–	–	8	172

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2006

	Blockboard and particle board	Door skin	Other wooden products	Others	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
TURNOVER					
External sales	12,523	11,770	2,015	–	26,308
RESULT					
Segment result	(582)	(257)	(1,756)	–	(2,595)
Unallocated corporate expenses					(1,068)
Finance costs					(883)
Share of results of associates	–	–	(1,239)	(1,453)	(2,692)
Loss before taxation					(7,238)
Taxation					(1,059)
Loss for the year					(8,297)

CONSOLIDATED ASSETS AND LIABILITIES
As at 31 December 2006

	Blockboard and particle board	Door skin	Other wooden products	Others	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
ASSETS					
Segment assets	13,631	14,326	1,744	–	29,701
Interests in associates	–	–	54	295	349
Unallocated corporate assets					3,920
Consolidated total assets					33,970
LIABILITIES					
Segment liabilities	1,851	1,474	2,502	–	5,827
Unallocated corporate liabilities					14,203
Consolidated total liabilities					20,030

OTHER INFORMATION

For the year ended 31 December 2006

	Blockboard and particle board	Door skin	Other wooden products	Unallocated	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Additions of property, plant and equipment	249	302	120	–	671
Amortisation of prepaid lease payments	71	32	2	–	105
Depreciation of property, plant and equipment	1,220	1,497	150	47	2,914
Loss on disposal of property, plant and equipment	8	3	–	–	11
Allowance for bad and doubtful debts	107	151	431	69	758
Write down of inventories to net realisable value	143	302	214	–	659
Impairment loss recognised in respect of construct in progress	–	–	268	–	268

(b) Geographical segments

The Group's operations are located in Hong Kong and other regions in the People's Republic of China (the "PRC"). Manufacture of the wooden products is carried out in the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market	
	Year ended 31.12.2007	Year ended 31.12.2006
	US$'000	*US$'000*
The PRC	14,599	16,020
Europe	2,663	4,613
Asia excluding the PRC	5,924	3,645
Others	830	2,030
	24,016	26,308

The following is an analysis of the carrying amount of consolidated segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of consolidated segment assets		**Capital additions**	
	Year ended 31.12.2007	**Year ended 31.12.2006**	**Year ended 31.12.2007**	**Year ended 31.12.2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*
The PRC (including Hong Kong)	23,398	29,701	772	671

8. OTHER INCOME

Other income comprises:

	2007	**2006**
	US$'000	*US$'000*
Value added tax refund *(Note)*	1,202	545
Exchange gain	–	29
Gain on disposal of property, plant and equipment	43	–
Interest income	46	24
Rental income from lease of plant and machinery	258	60
Others	145	42
	1,694	700

Note: Certain subsidiaries of the Company established in the PRC are involved in the production of wooden products which require the use of raw materials that are environmental friendly. Pursuant to the relevant rules and regulations of the PRC governing the value added tax ("VAT"), such subsidiaries were entitled to a VAT refund totalling US$1,202,000 (2006: US$545,000) for the year ended 31 December 2007.

9. FINANCE COSTS

	2007	**2006**
	US$'000	*US$'000*
Interest on:		
– borrowings from banks and other financial institutions wholly repayable within five years	830	786
– three-year loan notes	80	97
– other borrowings	5	–
	915	883

10. TAXATION

Tax charge comprises:

	2007	2006
	US$'000	*US$'000*
PRC Enterprise Income Tax	(586)	(59)
Deferred tax charge *(Note 18)*		
– current year	–	–
– deferred tax assets written-off	–	(1,000)
	(586)	(1,059)

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries incorporated in Hong Kong have no assessable profits for both years.

PRC Enterprise Income Tax is provided for with reference to the applicable tax rates prevailing in the respective regions of the PRC on the estimated assessable profits of subsidiaries.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 15% to 25% at progressive rates gradually for certain subsidiaries, and from 24% to 25% for certain subsidiaries from 1 January 2008.

The taxation for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2007	2006
	US$'000	*US$'000*
Loss before taxation	(8,180)	(7,238)
Tax at the domestic income tax rate of 33% (2006: 33%)	(2,699)	(2,389)
Tax effect of share of results of associates	105	888
Tax effect of expenses not deductible for tax purpose	1,473	248
Tax effect of income not taxable for tax purpose	(125)	(201)
Effect of different tax rates of subsidiaries operating in other jurisdictions	228	216
Effect of preferential tax rates of subsidiaries operating in other jurisdictions in the PRC	140	457
Tax effect of deductible temporary differences not recognised	543	594
Tax effect of tax losses not recognised	921	246
Deferred tax assets written-off	–	1,000
Taxation for the year	586	1,059

11. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	2007	2006
	US$'000	*US$'000*
Directors' remuneration *(Note a)*		
– Fees	407	33
– share-based payments for directors (included in other operating expenses)	1,216	–
– Other emoluments	8	61
	1,631	94
Employees' salaries and benefits expense	1,472	1,204
Share-based payments for employees (included in other operating expenses)	2,787	–
Compensation for laid off of employees in the PRC (included in other operating expenses) *(Note 30)*	1,013	–
Retirement benefits scheme contributions for staff other than directors *(Note b below)*	328	353
Total employees' benefits expense	7,231	1,651
Allowance for bad and doubtful debts	1,021	758
Amortisation of prepaid lease payments	118	105
Auditor's remuneration	204	232
Depreciation of property, plant and equipment	3,100	2,914
Net exchange losses	30	–
Impairment loss recognised in respect of club debenture	–	37
(Gain) loss on disposal of property, plant and equipment	(43)	11
Minimum lease payments under operating leases in respect of rented premises	169	45
Write down of inventories to net realisable value	424	659
Cost of inventories recognised as expenses	18,625	22,821

Notes:

(a) **Emoluments of directors and highest paid employees**

(i) The emoluments paid or payable to each of the 12 (2006: 12) directors were as follows:

	Zhang Xi	Zhang Huafang	Cai Duanhong	Catherine Chen	Hong Po Kui, Martin	Yam Tak Fai, Ronald	Wong Man Hin, Raymond	Yang Ding-Yuan	Meng Tung-Mei, Grace	Edward S. Yang	Lo I Wang	Chang Jing Yue	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
For the year ended 31 December 2007													
Fees	77	77	77	77	33	33	33	–	–	–	–	–	407
Share-based payments	317	–	–	899	–	–	–	–	–	–	–	–	1,216
Other emoluments													
Retirement benefits scheme contributions	2	2	2	2	–	–	–	–	–	–	–	–	8
	396	79	79	978	33	33	33	–	–	–	–	–	1,631

	Zhang Xi	Zhang Huafang	Cai Duanhong	Hong Po Kui, Martin	Yam Tak Fai, Ronald	Wong Man Hin, Raymond	Yang Ding-Yuan	Meng Tung-Mei, Grace	Edward S. Yang	Lo I Wang	Chang Jing Yue	Chan Ting-Fung, Tim	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*us$'000*
For the year ended 31 December 2006													
Fees	4	4	4	2	2	2	–	5	–	5	5	–	33
Other emoluments													
Salaries and other benefits	–	–	–	–	–	–	59	–	–	–	–	–	59
Retirement benefits scheme contributions	–	–	–	–	–	–	2	–	–	–	–	–	2
	4	4	4	2	2	2	61	5	–	5	5	–	94

(ii) Emoluments of the directors of the Company were within the following band:

	2007	**2006**
	Number of directors	*Number of directors*
Nil-HK$1,000,000 (equivalent to US$128,816)	10	12
HK$3,000,001-HK$3,500,000 (equivalent to US$386,448 to US$450,856)	1	–
Over HK$3,500,000 (equivalent to over US$450,857)	1	–
	12	12

(iii) Of the five individuals with the highest emoluments in the Group, two (2006: one) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2006: four) individuals are as follows:

	2007	**2006**
	US$'000	*US$'000*
Salaries and other benefits	409	454
Retirement benefit scheme contributions	2	5
	411	459

Their emoluments were within the following band:

	2007	**2006**
	Number of individuals	*Number of individuals*
Not exceeding HK$1,000,000 (equivalent to US$128,816)	2	4
HK$2,000,001-HK$2,500,000 (equivalent to US$257,632 to US$322,040)	1	–
	3	4

(b) Retirement benefits schemes

The Group operates a MPF scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

In addition, pursuant to government regulations, for the Group's employees in the PRC, relevant subsidiaries are required to contribute amounts ranging from approximately 14% to 30% of the aggregate staff wages to certain retirement benefit schemes. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contribution.

The total cost charged to the consolidated income statement of US$336,000 (2006: US$355,000) represents contributions to the schemes by the Group at rates specified in the rules of the respective schemes.

12. LOSS PER SHARE

The calculation of the loss per share is based on the loss for the year attributable to equity holders of the Company of US$7,455,000 (2006: US$7,017,000) and on the 9,197,779,755 (2006: 9,197,779,755) shares in issue during the year.

No diluted loss per share is presented for both years as the exercise of the outstanding share options would result in a decrease in the loss per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *US$'000*	Leasehold improvement *US$'000*	Plant and equipment *US$'000*	Furniture and fittings *US$'000*	Motor vehicles *US$'000*	Construction in progress *US$'000*	Total *US$'000*
COST							
At 1 January 2006	9,827	–	35,371	26	1,092	959	47,275
Currency realignment	683	–	2,287	–	67	45	3,082
Additions	–	–	184	–	127	360	671
Reclassifications	38	–	737	–	–	(775)	–
Disposals	–	–	–	–	(69)	–	(69)
At 1 January 2007	10,548	–	38,579	26	1,217	589	50,959
Currency realignment	1,007	–	3,284	1	96	46	4,434
Additions	–	37	249	29	1	456	772
Disposals	(266)	–	(3,190)	–	(115)	–	(3,571)
At 31 December 2007	11,289	37	38,922	56	1,199	1,091	52,594
DEPRECIATION AND IMPAIRMENT							
At 1 January 2006	3,455	–	26,296	20	1,015	–	30,786
Currency realignment	266	–	1,768	–	61	–	2,095
Provided for the year	508	–	2,354	5	47	–	2,914
Impairment loss recognised	–	–	–	–	–	268	268
Eliminated on disposal	–	–	–	–	(48)	–	(48)
At 1 January 2007	4,229	–	30,418	25	1,075	268	36,015
Currency realignment	435	–	2,763	–	92	–	3,290
Provided for the year	597	7	2,478	9	9	–	3,100
Impairment loss recognised	142	–	12	–	10	8	172
Eliminated on disposal	(225)	–	(2,661)	–	(64)	–	(2,950)
At 31 December 2007	5,178	7	33,010	34	1,122	276	39,627
CARRYING VALUES							
At 31 December 2007	6,111	30	5,912	22	77	815	12,967
At 31 December 2006	6,319	–	8,161	1	142	321	14,944

In 2006, certain construction works of one of the Group's manufacturing plants have been suspended and delayed. As at 31 December 2007, the cost of approximately US$276,000 (2006: US$268,000) in respect of this construction in progress was fully impaired.

The above items of property, plant and equipment are depreciated on a straight-line basis and the rates per annum are as follows:

	Rate per annum *(%)*
Buildings on land held under short term leases outside Hong Kong	5 to 10
Land and buildings held under medium term leases in Hong Kong	4
Plant and equipment and furniture and fittings	10 to 33
Motor vehicles	20

	2007 *US$'000*	**2006** *US$'000*
The carrying value of the Group's leasehold land and buildings are held under:		
Medium term lease in Hong Kong	625	669
Short term leases in the PRC	5,486	5,650
	6,111	6,319

14. PREPAID LEASE PAYMENTS

	2007 *US$'000*	**2006** *US$'000*
The Group's prepaid lease payments comprise:		
Short term lease in the PRC	873	1,013
Less: Current portion shown under current assets	(63)	(108)
	810	905

The prepaid lease payments are amortised over the term of the leases.

15. INTERESTS IN ASSOCIATES

	2007 *US$'000*	**2006** *US$'000*
Cost of unlisted investments	2,000	9,680
Share of reserves	463	447
Share of post-acquisition losses	(2,463)	(9,778)
	–	349

Particulars of the Group's associates at 31 December 2007 and 2006 are as follows:

Name of associate	Place of registration/ operation	Percentage of issued share capital/ registered capital held by the Group 2006 %	2007 %	Issued share capital/ registered capital	Principal activities
瀋陽福陽人造板有限公司 Shenyang Fuyang Wood-Basal Panel Ltd. *(Note)*	PRC	40.0	40.0	US$5,000,000	Manufacture and sale of wooden products
天津福津木業有限公司 Tianjin Fortune Timber Co., Ltd. *(Note)*	PRC	49.5	49.5	US$17,453,021	Manufacture and sale of wooden products
福華微電子股份有限公司 Fulhua Microelectronics Corporation	Cayman Islands	31.73	–	Ordinary US$100,000 and Series A & B preferred shares US$21,290,572	Investment holding
湖北福漢木業有限公司 Hubei Fuhan Timber Co., Ltd. *(Note)*	PRC	48.0	–	US$4,567,565	Manufacture and sale of wooden products

Note: Such companies are Sino-foreign equity joint ventures.

On 20 March 2007, the Group disposed of its entire interest in Fulhua Microelectronics Corporation, a 31.73% associate of the Group, to a third party at a consideration of US$340,000 resulting for a gain on disposal of US$521,000 which was arrived at after accounting for the net surplus of reserves of US$181,000 released on disposal.

On 13 September 2007, the Group disposed of its entire interest in Hubei Fuhan Timber Co., Ltd, a 48% associate of the Group, to the PRC joint venture partner at a consideration of RMB 2,000,000 (US$265,000) resulting for a gain on disposal of US$38,000 which was arrived at after accounting for the net deficit of reserves of US$227,000 released on disposal.

The summarised financial information in respect of the Group's associates is set out below:

	2007	**2006**
	US$'000	*US$'000*
Total assets	1,060	9,361
Total liabilities	(975)	(11,711)
Net assets (liabilities)	85	(2,350)
Group's share of net assets	–	349
Revenue	1,979	17,472
Loss for the year	(990)	(8,405)
Group's share of loss for the year	(319)	(2,692)

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of losses of those associates, extracted from the relevant management accounts of the associates, both for the year and cumulatively, are as follows:

	2007	**2006**
	US$'000	*US$'000*
Unrecognised share of losses of associates for the year	–	(347)
Accumulated unrecognised share of losses of associates	–	(1,315)

16. OTHER INVESTMENTS

The investments classified as available-for-sale investments as at 31 December 2007 comprise:

	2007	**2006**
	US$'000	*US$'000*
Equity securities		
Costs of investments	3,116	3,116
Less: Impairment loss recognised	(3,116)	(3,116)
	–	–

The balance represents investments in unlisted equity securities issued by private entities incorporated in Taiwan and the PRC. They are measured at cost less impairment at each balance sheet date because the directors of the Company are of the opinion that their fair values cannot be measured reliably as there is no active market information available.

17. CLUB DEBENTURE

	US$'000
FAIR VALUE	
At 1 January 2006	37
Less: Impairment loss recognised	(37)
At 31 December 2006 and 31 December 2007	–

The fair value of the Group's club debenture as at 31 December 2007 was nil (2006: nil). The valuation was determined by reference to recent market prices for similar debentures.

18. DEFERRED TAX ASSETS

The following are the movements in deferred tax assets recognised by the Group:

	Allowance for bad and doubtful debts	**Allowance for slow moving inventories**	**Tax losses**	**Impairment loss in respect of plant and equipment**	**Accelerated accounting depreciation**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2006	(449)	(24)	(76)	(83)	(311)	(943)
Currency realignment	(27)	(1)	(5)	(5)	(19)	(57)
Written-off for the year	476	25	81	88	330	1,000
At 31 December 2006 and 31 December 2007	–	–	–	–	–	–

At the balance sheet date, the Group had unused tax losses of US$19,744,000 (2006: US$16,953,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US$4,101,000 (2006: US$4,101,000) that will expire before 2011. Other losses can be carried forward indefinitely.

In addition, the Group has unrecognised deductible temporary differences of US$22,866,000 (2006: US$21,221,000) arising from allowance for bad and doubtful debts and slow moving inventories, as well as the difference between the tax written down value and carrying value of property, plant and equipment at the balance sheet date. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not certain that taxable profit will be available against which the deductible temporary differences can be utilised.

19. INVENTORIES

	2007	**2006**
	US$'000	*US$'000*
Raw materials	2,238	2,935
Work in progress	307	458
Finished goods	4,108	3,168
	6,653	6,561

The inventories at 31 December 2007 amounting to US$5,042,000 (2006: US$2,835,000) are carried at their net realisable value.

20. TRADE AND OTHER RECEIVABLES

	2007	**2006**
	US$'000	*US$'000*
Trade receivables	1,243	4,390
Other receivables	1,127	1,596
	2,370	5,986

Payment terms with customers are largely on credit. Invoices are normally payable within 30 to 90 days after issuance.

The following is an aged analysis of trade receivables at the balance sheet date:

	2007	**2006**
	US$'000	*US$'000*
0-90 days	904	3,535
91-180 days	260	362
More than 180 days	79	493
	1,243	4,390

Before accepting any new customers, the Group will review the financial ability and assess the potential customers' credit quality and the board of directors has delegated the management to be responsible for determination of the credit limits and credit approvals for any customers. Limits granted to each customers are reviewed every year.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of US$339,000 (2006:US$855,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 167 days (2006: 213 days).

The following is an aged analysis of trade receivables which are past due but not impaired at the balance sheet dates:

	2007	**2006**
	US$'000	*US$'000*
91-180 days	260	362
More than 180 days	79	493
	339	855

The Group has provided fully for all receivables that are past due beyond 1 year because historical experience is such that these receivables are generally not recoverable. Allowance on trade receivables between 91 days and 1 year are fully made by reference to past default experience and objective evidences of impairment.

In determining the recoverability of the trade receivables, the Group monitors any change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. The directors of the Company considered that the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Movement in the allowance for doubtful debts

	2007	2006
	US$'000	*US$'000*
Balance at beginning of the year	1,823	819
Impairment losses recognised	1,021	758
Currency realignment	157	246
Written off during the year	(765)	–
Balance at end of the year	2,236	1,823

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$2,236,000 (2006:US$1,823,000) which have either been placed under liquidation or severe financial difficulties. The Group does not hold any collateral over these balances.

The Group's trade and other receivables denominated in currencies other than the functional currency, of the relevant entities, are set out below:

	2007	2006
	US$'000	*US$'000*
Hong Kong Dollars	658	909

21. BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term bank deposits with original maturity of three months or less, and carry interest ranging from 0.57% to 2.4% (2006: 0.62% to 2.5%) per annum.

At 31 December 2007 and 2006, the Group had bank balances and cash that were not freely convertible or were subject to exchange controls in the PRC amounting to approximately US$6,112,000 and US$2,928,000, respectively.

Included in the bank balances and cash are the following amounts denominated in currencies other than the functional currency of the group entities to which they relate:

	2007	2006
	US$'000	*US$'000*
United States Dollars	519	28
Hong Kong Dollars	257	705

22. TRADE AND OTHER PAYABLES

	2007	2006
	US$'000	*US$'000*
Trade payables	2,694	2,897
Amounts due to minority shareholders of subsidiaries	827	1,845
Other payables	4,324	2,523
Compensation payable for laid off of employees	1,013	–
	8,858	7,265

The amounts due to minority shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

The following is an aged analysis of trade payables at the balance sheet date:

	2007	2006
	US$'000	*US$'000*
0-90 days	53	1,493
91-180 days	794	88
More than 180 days	1,847	1,316
	2,694	2,897

Included in the trade and other payables are the following amounts denominated in currencies other than the functional currency of the group entities to which they relate:

	2007	2006
	US$'000	*US$'000*
United States Dollars	631	925
Hong Kong Dollars	1,757	513

23. AMOUNTS DUE TO ASSOCIATES/A FORMER ASSOCIATE

The amounts are unsecured, interest free and repayable on demand.

24. AMOUNT DUE TO A SHAREHOLDER

The amount represents advances made to the Company from CTIL which is unsecured, interest free and repayable on demand.

25. AMOUNT DUE TO FORMER ULTIMATE HOLDING COMPANY

The amount is unsecured, interest free and repayable on demand.

26. BANK AND OTHER BORROWINGS

	2007	2006
	US$'000	*US$'000*
Secured loans from banks and other financial institutions *(Note a)*	9,464	10,015
Unsecured three-year loan notes *(Note b)*	1,075	1,377
Unsecured other borrowings *(Note c)*	305	282
	10,844	11,674
Carrying amount repayable:		
Within one year	9,769	10,015
Between one to two years	1,075	1,377
After five years	–	282
	10,844	11,674
Less: Amount due within one year shown under current liabilities	(9,769)	(10,015)
Amount due after one year	1,075	1,659

Notes:

(a) The loans from banks and other financial institutions carry interests at fixed rates ranging from 5.58% to 7.29% (2006: 5.58% to 6.70% per annum).

(b) According to the corporate restructuring of the Company and its subsidiaries which was completed on 30 March 2001, the creditors of the Group received three-year loan notes from the Company with an aggregate face value of US$4,400,000 which carry fixed interest at a rate of 7% per annum. The three-year loan notes are repayable in six equal semi-annual instalments. The repayment of the remaining two outstanding installments of the loan notes amounted to US$1,075,000 has been extended to March 2009.

(c) other borrowings represent interest-free borrowings of US$305,000 (2006: US$282,000).

The Group's borrowings, which are denominated in currencies other than the functional currency of the relevant entities, are set out below:

	2007	**2006**
	US$'000	*US$'000*
Hong Kong Dollars	1,075	1,377

27. SHARE CAPITAL

	Number of shares	**Amount**
		US$'000
Ordinary share of US$0.001 each		
Authorised:		
At 1 January 2006, 31 December 2006 and 31 December 2007	100,000,000,000	100,000
Issued and fully paid:		
At 1 January 2006, 31 December 2006 and 31 December 2007	9,197,779,755	9,197

28. SHARE OPTION SCHEMES

A share option scheme was adopted by the Company on 19 November 2001 (the "Share Option Scheme"). Pursuant to the Share Option Scheme, the directors of the Company may, at their discretion, grant options to any directors, executives, employees and any other persons who have contributed or will contribute to the Group to subscribe for shares in the Company at a price determined by the directors and not less than the highest of:

(i) The closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the options;

(ii) The average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of the options; and

(iii) The nominal value of the shares of the Company on the date of grant.

At 31 December 2007, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 464,810,000 (2006: nil) representing 5.05% (2006: nil) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 14 days of that date of grant, upon payment of HK$1 in aggregate as consideration for the options granted. Vesting periods are determined by the board of directors on each grant date. Options are lapsed if the employee leaves the Group before the option vest.

Details of the movements of the share options granted under the Share Option Scheme during the year are as follows:

				Number of share options				
Date of grant	**Vesting period**	**Exercise price** *HK$*	**Exercise period**	**Outstanding at 1 January 2006**	**Surrendered during the year** *(Note 1)*	**Outstanding at 31 December 2006 and 1 January 2007**	**Granted during the year**	**Outstanding at 31 December 2007**
Executive and employees								
30 April 2002	30 April 2002- 31 December 2002	0.050	1 January 2003- 29 April 2012	31,200,000	(31,200,000)	–	–	–
30 April 2002	30 April 2002- 31 December 2003	0.050	1 January 2004- 29 April 2012	23,400,000	(23,400,000)	–	–	–
30 April 2002	30 April 2002-31 December 2004	0.050	1 January 2005-29 April 2012	23,400,000	(23,400,000)	–	–	–
24 January 2003	24 January 2003-26 June 2003	0.021	27 June 2003-23 January 2013	60,000,000	(60,000,000)	–	–	–
13 July 2007	– *(Note 2)*	0.153	13 July 2007- 12 July 2010	–	–	–	203,234,000	203,234,000
5 October 2007	– *(Note 2)*	0.095	5 October 2007- 4 October 2010	–	–	–	137,606,000	137,606,000
Sub-total				138,000,000	(138,000,000)	–	340,840,000	340,840,000
Directors								
30 April 2002	– *(Note 2)*	0.050	30 April 2002- 29 April 2012	200,000,000	(200,000,000)	–	–	–
13 July 2007	– *(Note 2)*	0.153	13 July 2007- 12 July 2010	–	–	–	123,970,000	123,970,000
Sub– total				200,000,000	(200,000,000)	–	123,970,000	123,970,000
Grand total				338,000,000	(338,000,000)	–	464,810,000	464,810,000

Notes:

1. The directors of the Company surrendered the share options granted to them by the Company during the year 2006.

2. The share options are exercisable immediately after the grant.

During the year ended 31 December 2007, options were granted on 13 July 2007 ("July 2007 Option") and 5 October 2007 ("October 2007 Option") with estimated fair values of each option granted on those dates of HK$0.076 and HK$0.045, respectively. These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	July 2007 Option	**October 2007 Option**
Spot price	HK$0.157	HK$0.093
Exercise price	HK$0.153	HK$0.095
Risk free rate	4.204%	3.781%
Expected life	1.5 years	1.5 years
Expected volatility	99.84%	102.51%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one and a half year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

During the year ended 31 December 2007, the Group recognised the total share-based payment expense of US$4,003,000 (2006: nil) in relation to the share options granted by the Company to its directors and employees. The share-based payment expense of US$4,003,000 was included in other operating expenses (see note 11).

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

29. CAPITAL COMMITMENTS

At the balance sheet date, the Group had outstanding capital commitments as follows:

	2007 *US$'000*	**2006** *US$'000*
Capital expenditure in respect of acquisition of property, plant and equipment		
– authorised but not contracted for	–	357
– contracted but not provided for	–	–
	–	357

30. CONTINGENT LIABILITIES

During the year ended 31 December 2007, Jilin Province Fuchun Timber Co., Ltd. ("Jilin Fuchun") has ceased its operation. Jilin Fuchun shall lay off its employees and expose to a maximum compensation payment of RMB 7,307,000 (equivalent to US$1,013,000) based on the management's estimation and the relevant provisions of the PRC employment laws. The Group has recognised such liability of US$1,013,000 by charging the amount as an expense to the consolidated income statement for the year ended 31 December 2007 (see note 11). Subsequent to 31 December 2007, the Group has made compensation payments to certain employees of Jilin Fuchun amounted to RMB 666,000 (equivalent to US$92,000).

31. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2007, the minority shareholder of Jilin Fuchun (the "Minority Shareholder") has settled the bank loans of the Group amounted to US$1,335,000. In order to settle such advance, Jilin Fuchun and the Minority Shareholder have entered into a loan settlement agreement ("Settlement Agreement") whereby Jilin Fuchun agreed to transfer certain of its property, plant and equipment to the Minority Shareholder. Pursuant to the Settlement Agreement, Jilin Fuchun transferred certain property, plant and equipment of an aggregate carrying value of US$497,000 to the Minority Shareholders to settle the amount of US$1,335,000 due to this shareholder. The fair value of the property, plant and equipment amounted to US$658,000 and gain on disposal of property, plant and equipment of US$161,000 is recognised in the consolidated income statement. The excess of the amount due to Minority Shareholder over the fair value of the property, plant and equipment transferred amounted to US$677,000 (of which US$372,000 is attributable to the Group) is recognised in capital reserve as deemed capital contribution from Minority Shareholder.

32. LEASING ARRANGEMENTS

The Group as lessee

At the balance sheet date, the Group had outstanding commitment of future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2007	**2006**
	US$'000	*US$'000*
Within one year	223	46
In the second to fifth year inclusive	282	130
Over five years	–	–
	505	176

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for lease term of 2 to 4 years.

The Group as a lessor

At the balance sheet date, the Group had contracted with lessees for the following future minimum lease payments in respect of certain plant and machinery:

	2007	**2006**
	US$'000	*US$'000*
Within one year	139	125
In the second to fifth year inclusive	136	195
	275	320

The plant and machinery, with insignificant carrying amount, was leased out for a period of three years and the rentals were pre-determined and fixed.

33. PLEDGE OF ASSETS

At the balance sheet date, the Group had pledged certain properties and plant and equipment with carrying amounts of US$5,449,000 (2006: US$8,150,000) respectively to various banks and other financial institutions for securing the loans and general credit facilities granted to the Group.

34. RELATED PARTY TRANSACTIONS

The key management personnel are the directors of the Company. The details of their remunerations are set out in note 11.

During the year, the Group has received management service income of US$33,000 (2006: nil) from a company controlled by the director of the Company, Mr. Zhang Xi.

The Group also had balances with related parties at the balance sheet date which are set out in other notes to the financial statements.

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at 31 December 2007 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Percentage of issued share capital/ registered capital held %	Issued and fully paid capital/ registered capital	Principal activities
Ta Fu Strategic Investment Limited	British Virgin Islands	Hong Kong	100	US$10,000	Investment holding
Wood Art International Corporation	British Virgin Islands	Hong Kong	100	US$10,000	Investment holding
TGT Holdings Corporation	British Virgin Islands	Hong Kong	100	US$2	Investment holding
Fulbond Business Services Limited	Hong Kong	Hong Kong	100	HK$2	Provision of management services
Fulbond Digital Systems Limited	Hong Kong	Hong Kong	100	HK$2	Trading of electronic products
Ta Fu Timber Company Limited	Hong Kong	Hong Kong	100	Ordinary HK$200 and deferred* HK$5,000,000	Investment holding
Ta Fu Flooring Company Limited	Hong Kong	Hong Kong	100	Ordinary HK$200 and deferred* HK$1,000,000	Investment holding
Ta Fu International Development Limited	Hong Kong	Hong Kong	100	Ordinary HK$200 and deferred* HK$10,000	Inactive
Fulbond High-Tech Investment Limited	Hong Kong	Hong Kong	100	Ordinary HK$200 and deferred* HK$200	Inactive
Ta Fu Furniture Co., Limited	Hong Kong	Hong Kong	100	Ordinary HK$20 and deferred* HK$20	Investment holding
Senbond Building Materials Limited	Hong Kong	Hong Kong	100	Ordinary HK$200 and deferred* HK$10,000	Provision of management services
Ta Fu Properties Co., Limited	Hong Kong	Hong Kong	100	Ordinary HK$20 and deferred* HK$20	Property investment
Fulbond Corporate Management Limited	Hong Kong	Hong Kong	100	Ordinary HK$10,000	Provision of management services
瀋陽福昇中密度板有限公司 Shenyang Fusheng Wood Clipboard Co., Ltd. *(Note)*	PRC	PRC	51	US$3,000,000	Manufacture and sale of wooden products

Name of subsidiary	Place of incorporation/ registration	Place of operation	Percentage of issued share capital/ registered capital held %	Issued and fully paid capital/ registered capital	Principal activities
吉林省福春木業有限公司 Jilin Fuchun *(Note)*	PRC	PRC	55	RMB 17,464,000	Manufacture and sale of wooden products
吉林省福敦木業有限公司 Jilin Fudun Timber Co., Ltd. *(Note)*	PRC	PRC	67	RMB 223,158,165	Manufacture and sale of wooden products

* The deferred shares are non-voting and are not entitled to participate in the distribution of profits in any financial year and are only entitled to a return of capital on liquidation when the net assets of the relevant company available for distribution are in excess of HK$100,000,000,000,000,000.

Note: Such companies are Sino-foreign equity joint ventures.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

36. POST BALANCE SHEET EVENT

The following significant events took place after 31 December 2007:

(a) On 20 December 2007, the Company and IBTS Asia (HK) Limited (the "Placing Agent") entered into the placing agreement, pursuant to which the Company appointed the Placing Agent to procure not less than six independent placees to subscribe for up to 1,839,000,000 warrants at the price of HK$0.001 per warrant. On 28 January 2008, the Company issued 1,500,000,000 unlisted warrants at the price of HK$0.001 per warrant to six placees and each warrant entitles its holder to subscribe for one ordinary share of US$0.001 each of the Company ("Subscription Share") at the initial subscription price of HK$0.074 per Subscription Share at any time during the period of 30 months commencing from the date of issue of the warrants.

(b) On 22 February 2008, the Company has entered into a subscription agreement ("Subscription Agreement") with Sun Boom Limited (the "Subscriber") pursuant to which the Subscriber will subscribe for convertible note ("Convertible Note") of the Company with an aggregate principal amount of US$3,700,000 (equivalent to approximately HK$28,860,000). The Convertible Note shall bear interest at the rate of 6% per annum and (in the absence of an earlier demand by the holder thereof) will be due on the maturity date which is 24 months from the date of issue. The Convertible Note is convertible into new shares of the Company at a conversion price of HK$0.086 per share. The net proceeds from the issue of the Convertible Note will provide general working capital to the Group and funds for any suitable investments. On 9 April 2008, the Company has issued the Convertible Note and received the principal amount of US$3,700,000 pursuant to the Subscription Agreement.

(c) On 22 February 2008 and 27 February 2008, the Company has entered into an agreement and supplemental deed with Sun Boom Limited ("Sun Boom") to purchase 20% of the entire enlarged issued share capital of Prowealth Holdings Group Limited ("Prowealth") at a consideration of HK$121,000,000. Prowealth is an investment holding company and its subsidiaries are engaged in seafood trading and processing business in Hong Kong and the PRC. The consideration will be satisfied by way of secured convertible note to be issued by the Company to Prowealth (the "SPA Convertible Note"). The SPA Convertible Note shall bear interest at the rate of 6% per annum and (in the absence of an earlier demand by the holder thereof) will be due on the maturity date which is 24 months from the date of issue. The SPA Convertible Note is convertible into shares of the Company at a conversion price of HK$0.086 per share.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

For the year ended 31 December 2007

Business and financial review

Turnover of the Group for the year ended 31 December 2007 was approximately US$24,016,000 (HK$187,324,800), representing a decrease of 8.7% from approximately US$26,308,000 (HK$205,202,400) in 2006. The decrease was mainly caused by the decrease in turnover of particle board and the disposal of the manufacturing and trading business of blockboard, plywood-based products, decoration wooden products and other wooden products in Wu Chan Qu, Wuhan City. The loss of the Group for the year ended 31 December 2007 had increased to approximately US$8,766,000 (HK$68,374,800), representing an increase of approximately 5.7% as compared to the previous year. Such loss was owing to the increase in selling and distribution costs, which reflects the challenging operating environment of the Group of rising production costs and high competition in the timber industry. The basic loss per share was US0.08 cent (2006: US0.08 cent).

Liquidity and financial resources

As at 31 December 2007, the equity attributable to equity holders of the Group was approximately US$6,508,000 (HK$50,762,400) (2006: US$8,957,000 (HK$69,864,600)). Total bank and other borrowings as at 31 December 2007 was approximately US$10,844,000 (HK$84,583,200) (2006: US$11,674,000 (HK$91,057,200)), consisted of secured bank loans and other financial institutions of approximately US$9,464,000 (HK$73,819,200), unsecured three-year loan notes of approximately US$1,075,000 (HK$8,385,000) and unsecured other borrowings of US$305,000 (HK$2,379,000). The sale and purchases of the raw materials are mainly denominated in Renminbi and united states dollars. The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other loans, fixed-rate shortterm bank deposits, and a three year loan note. The Company will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure if it needs. As at 31 December 2007, the bank balances and cash of the Group was approximately US$6,888,000 (HK$53,726,400) (2006: US$3,661,000 (HK$28,555,800)). The bank balances and cash comprise cash and short-term bank deposits with original maturity of three months or less, and carry interest ranging from 0.57% to 2.4% per annum. The Group had a gearing ratio of approximately 213.9% calculated by dividing total debt by the total shareholders' equity.

Finance costs

Finance costs increased by 3.6% to approximately US$915,000 (HK$7,137,000) (2006: US$883,000 (HK$6,887,400)) as a result of increase in interest rate on borrowings from banks and other financial institutions during the year.

Charges over assets

At 31 December 2007, the Group had pledged certain properties, plant and equipment with carrying amounts of US$5,449,000 (HK$42,502,200) (2006: US$8,150,000 (HK$63,570,000)) to various banks and other financial institutions for securing loans and credit facilities granted to the Group.

Capital structure

The capital structure of the Group consists of debt, which includes the loan borrowings, bank balances and cash and equity attributable to equity holders of the Company, comprising issued share capital and reserves. The Directors review the capital structure regularly and consider the cost of capital and the risks associated with each class of capital. The Directors will balance its overall capital structure through the issue of new shares as well as issue of new debt or the redemption of existing debt.

Contingent liabilities

During the year ended 31 December 2007, Jilin Province Fuchun Timber Co., Ltd. ("Jilin Fuchun") has ceased its operation. Jilin Fuchun shall lay off its employees and expose to a maximum compensation payment of approximately RMB 7,307,000 (HK$8,037,700) based on management's estimation and relevant provisions of the PRC employment laws. The Group has recognised such liability of approximately US$1,013,000 (HK$7,901,400) by charging the amount as an expense to the consolidated income statement for the year ended 31 December 2007. Subsequent to 31 December 2007, the Group has made compensation payments to certain employees of Jilin Fuchun amounted to approximately RMB 666,000 (HK$732,600).

Employees and remuneration

As at 31 December 2007, the Group employed 800 full time management, administrative and production staff in the PRC and Hong Kong. Total staff costs including Directors' emoluments incurred during the year, amounted to US$7,231,000 (HK$56,401,800) (2006: US$1,651,000 (HK$12,877,800)). The increase in staff costs is mainly due to the Group has made compensation payments to certain employees of Jilin Fuchun and recognised a maximum compensation payment of RMB 7,307,000 (HK$8,037,700) by charging the amount as an expense to the consolidated income statement for the year ended 31 December 2007.

Employees are remunerated according to the basis of their merit, qualifications and competence. The emoluments of the Directors were determined with reference to their duties, responsibilities and contribution to the Company, the prevailing market conditions, time commitment and desirability of performance-based remuneration. During the year, the Company granted share options to the Directors and the employees.

Disposals of associated companies and fixed assets

On 20 March 2007, the Company entered into the sale and purchase agreement with Silverplus Investment Limited ("Silverplus") pursuant to which Silverplus agreed to acquire and the Company agreed to dispose of the equity interests in Fulhua Microelectronics Corporation ("Fulhua"), representing approximately 31.73% of the equity interests in Fulhua at a consideration of US$340,000 (approximately HK$2,652,000). Upon completion of the disposal, Fulhua ceased to be an associated company of the Company. Details of the disposal are set out in the circular of the Company dated 2 April 2007.

On 13 September 2007, Ta Fu Timber Company Limited ("Ta Fu"), a wholly-owned subsidiary of the Company, and Hubei Timber Group Company Limited ("Hubei Timber") entered into an agreement pursuant to which Hubei Timber agreed to acquire and Ta Fu Timber agreed to dispose a 48% interest in Hubei Fuhan Timber Company Limited ("Hubei Fuhan") at a consideration of RMB 2,000,000 (approximately HK$2,200,000). Upon completion of the disposal, Hubei Fuhan ceased to be an associated company of the Company. Details of the disposal are set out in the circular of the Company dated 15 October 2007.

On 19 December 2007, Jilin Province Fuchun Timber Co., Ltd. ("Jilin Fuchun"), an indirect 55% owned subsidiary of the Company, entered into the settlement agreement with Jilin Forest Industrial Group Limited ("Jilin Forest"), whereby Jilin Fuchun agreed to transfer certain lands and buildings and machineries and equipments to Jilin Forest in order to settle the outstanding loan amount with accrued interests due to Jilin Forest of RMB9,200,000 (HK$10,120,000). The settlement agreement constitutes a discloseable transaction, details of which were disclosed in the Company's circular dated 21 January 2008.

Acquisition of seafood trading and processing business

On 22 February 2008 and 27 February 2008, Fulbond Investments Limited, a wholly-owned subsidiary of the Company ("Fulbond Investments") entered the agreement and the supplemental deed with, among others, Sun Boom Limited ("Sun Boom"), being the vendor, pursuant to which Fulbond Investments has conditionally agreed to purchase and Sun Boom has agreed to sell the 20% of the entire enlarged issued share capital of Prowealth Holdings Group Limited, a company and its subsidiaries of which are engaged in seafood trading and seafood processing business in the PRC. The total consideration of the acquisition is HK$121,000,000 and was satisfied by way of issue of the secured convertible note with an aggregate principal amount of HK$121,000,000 due on demand. Details of the acquisition is set out in the circular of the Company dated 22 April 2008.

Share capital

Subsequent to the financial year ended 31 December 2007, the Company issued and placed 1,500,000,000 unlisted warrants to not less than six independent placees on 21 January 2008. The Company will rise approximately HK$111,000,000 and the net proceeds will be utilised as general working capital of the Group and future development of the existing businesses of the Group. Details of the placing is set out in the announcement of the Company dated 27 December 2007. Further, the Company entered into the subscription agreement with an independent third party, Sun Boom in relation to the subscription of the convertible note with an aggregate principal amount of US$3,700,000 (HK$28,860,000). The net proceeds from the issue of the convertible note of approximately HK$26,680,000 will be utilised as general working capital of the Group and/or any suitable investment(s). As at 31 December 2007, the Company had 9,197,779,755 shares in issue with total shareholders' fund of the Group amounted to approximately US$6,508,000 (HK$50,762,400).

For the year ended 31 December 2006

During the year, the Group recorded a turnover of approximately US$26,308,000 (HK$205,202,400), increased approximately 17% from last year's approximately US$22,485,000 (HK$175,383,000). The growth in turnover was mainly attributable to expansion of clients base within the market and customer orders are continuous improved. As a result of the slight reduction in raw material costs, the Group's gross profit increase to approximately US$2,929,000 (HK$22,846,200) against last year's US$1,605,000 (HK$12,519,000). Loss attributable to equity holders for 2006 was US$7,017,000 (HK$54,732,000) (2005: US$5,068,000 (HK$39,530,400)). Basic loss per share was US0.08 cent (2005: US0.06 cent).

Liquidity and financial resources

As at 31 December 2006, the Group's total shareholder equity was approximately US$8,957,000 (HK$69,864,000) (2005: US$15,159,000 (HK$118,240,200)).

Total bank and other borrowings as at 31 December 2006 were approximately US$11,674,000 (HK$91,057,200). This consisted of outstanding secured and unsecured loans from banks and other financial institutions, unsecured loan notes and other loans which are mainly denominated in Renminbi and US dollars. The sales and purchases of the Group are also mainly denominated in Renminbi and US dollars. As the exchange rates of Renminbi against US dollars were relatively stable during the year, the Group's exposure to fluctuations in exchange rates is minimal.

As at 31 December 2006, the cash and bank balances of the Group was approximately US$3,661,000 (HK$28,555,800) (2005: US$2,635,000 (HK$20,553,000)). The Group had a gearing ratio of approximately 143.7% calculated by dividing total debt by the total shareholders' equity.

Pledge of assets

At 31 December 2006, the Group had pledged certain properties and plant and equipment with carrying amounts of US$8,150,000 (HK$63,570,000) (2005: US$9,375,000 (HK$73,125,000)) to various banks and other financial institutions for securing loans and credit facilities granted to the Group.

Capital expenditure

During the year, the Group's total investments in property, plant and equipment and construction in progress for other equipment amounted to approximately US$671,000 (HK$5,233,800), of which approximately 27% was used for the acquisition of plant and equipment approximately 54% was used for the construction in progress for the other equipment.

Capital commitments

As at 31 December 2006, the Group had outstanding capital commitments of approximately US$357,000 (HK$2,784,600) in connection with the acquisition of property, plant and equipment.

Significant investments and material acquisitions and disposals of subsidiaries

The Group did not have any significant investments as at 31 December 2006. The Group did not have any material acquisitions and disposals of subsidiaries or affiliated companies for the year ended 31 December 2006. The Group will continue to explore new market so as to boost revenue and its sources.

Finance costs

For the year ended 31 December 2006, finance costs slightly increased to US$883,000 (HK$6,887,400) from US$746,000 (HK$5,818,800) for 2005, mainly due to the increased in additional bank loan for the year and this has resulted in an increase in the bank and other borrowings of the Group.

Contingent liabilities

At 31 December 2006, the Group did not have any significant contingent liabilities.

Employees and remuneration policies

As at 31 December 2006, the Group employed approximately 780 full time management, administrative and production staff in China and Hong Kong. Total staff costs including directors emoluments incurred during the year, amounted to US$1,651,000 (HK$12,877,800) (2005: US$1,741,000 (HK$13,579,800)). The remuneration policy of the employees of the Group is based on their merit, qualifications and competence.

For the year ended 31 December 2005

Review of operation and results

In 2005, the Group's turnover and net loss were US$22,485,000 (HK$175,383,000) and US$5,068,000 (HK$39,530,400) respectively. Basic loss per share was US0.06 cent, compared to last year's loss per share of US0.03 cent. The net asset value per share was US0.16 cent. Net loss was increased as the written back of deferred tax and exclusion of gain on deemed disposal of associates.

Liquidity and financial resources

As at 31 December 2005, the Group's total shareholder equity was approximately US$15,159,000 (HK$118,240,200).

Total bank and other borrowings as at 31 December 2005 were approximately US$11,614,000 (HK$90,589,200). This consisted of outstanding secured and unsecured bank loans, unsecured loan notes and other loans which are mainly denominated in Renminbi and US dollars. The sales and purchases of the Group are also mainly denominated in Renminbi and US dollars. As the exchange rates of Renminbi and US dollars against Hong Kong dollars were relatively stable during the year, the Group's exposure to fluctuations in exchange rates is minimal.

As at 31 December 2005, the net cash and bank balances of the Group stood at approximately US$2,635,000 (HK$20,553,000).

The gearing ratio (total borrowings as a percentage of non-current assets) of the Group has raised from approximately 41.0% recorded in 2004 to approximately 54.2% this year.

Significant investments and material acquisitions and disposals of subsidiaries

The Group did not have any significant investments as at 31 December 2005. The Group did not have any material acquisitions and disposals of subsidiaries or affiliated companies for the year ended 31 December 2005. The Group did not have any plans for material investments or capital assets.

Pledge of assets

At 31 December 2005, the Group had pledged certain properties and plant and equipment with carrying amounts of US$428,000 (HK$3,338,400) (2004: US$271,000 (HK$2,113,800)) and US$8,947,000 (HK$69,786,600) (2004: US$9,380,000 (HK$73,164,000)) respectively to various banks for securing bank loans and general banking facilities granted to the Group.

Contingent liabilities

As disclosed in the financial statements of 2004, one of the Group's associates, Tianjin Fortune Timber Co., Ltd. ("TFT") was sued by its bankers to repay bank loans of approximately RMB 73.6 million (approximately HK$81.0 million). This amount has not been equity accounted for by the Group as TFT has net deficit at 31 December 2004. This amount was guaranteed by another associate, Tianjin Fortune Furniture Co. Ltd. ("TFFCL"). Both TFT and TFFCL was in negotiations with the bankers of TFT for the restructuring of the borrowings of TFT and for rearranging the guarantees granted by TFFCL. As the negotiations had not been completed at 31 December 2004, the ultimate outcome cannot be determined by the directors. However, at 31 December 2004, there was no impact on the Group's share of interest in TFFCL as TFFCL had nil net assets balance as at that date. The interest in the TFFCL was disposed of during the year and the contingent liabilities was released upon the disposal.

Employees and remuneration policies

As at 31 December 2005, the Group employed approximately 810 full time management, administrative and production staff in the PRC and Hong Kong. Total staff costs including directors' emoluments incurred during the year, amounted to US$1,741,000 (HK$13,579,800) (2004: US$1,419,000 (HK$11,068,200)).

STATEMENT OF INDEBTEDNESS

At the close of business on 30 April 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had in aggregate outstanding borrowings of approximately US$41.8 million. The borrowings comprised (i) bank loans of the Group of approximately US$9.8 million secured by property, plant and equipment of the Group; (ii) bank loans of Prowealth Group of approximately US$9.5 million secured by property, plant and equipment and land use rights of Prowealth Group and personal guarantees provided by Mr. Li Geng ("Mr. Li"), Prowealth's director and his wife, Ms. Huang Yu Wei and Mr. Liang Zhen Mei, a director of a subsidiary of Prowealth and his wife, Ms. Zhang Bi Rong; (iii) other unsecured borrowings of the Group of approximately US$1.5 million; (iv) secured convertible notes issued by the Group of approximately US$3.7 million and secured by bank deposit of US$3.7 million maintain by the Company; (v) secured convertible bond issued by Prowealth of approximately US$10 million (subject to further adjustment) and secured by joint and several guarantee by Mr. Li and Ms. Lam So Ying (Ms. Lam So Ying is a director of Wise Virtue); security deeds over the shares in Prowealth and Yield On, Smart Chance Holdings Limited, Pride Joy Holdings Limited, Wealth Strong International Limited and H.K. Zhouyue Investment Limited; charge and assignment for all present and future indebtedness due from Hainan Jiadexin and Maoming Changxing; subordination deed executed by Mr. Li, Prowealth and Hainan Jaidexin; and debenture by Yield On to charge and assign all its assets and undertaking; (vi) amounts due to related parties of the Group of approximately US$1.0 million which are unsecured and interest-free; (vii) amount due to a director of Prowealth, Mr. Li, of approximately US$5.7 million, which is unsecured and interest-free; and (viii) amount due to Prowealth's convertible bond holder of approximately US$0.6 million, guaranteed by Mr. Li.

Save as aforesaid and apart from intra-group liabilities, the Enlarged Group did not have any outstanding mortgages, charges, debentures, loan capital and overdraft or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptances credits or any guarantees or other material contingent liabilities as at the close of business on 30 April 2008.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated in US dollars at the approximate exchange rates prevailing at the close of business on 30 April 2008.

Subsequent to 30 April 2008, the Company had issued the Previous SPA Convertible Note with the principal amount of HK$121,000,000 to Sun Boom pursuant to the Previous Agreement and is secured by ordinary shares of Prowealth, representing not less than 20% of the entire enlarged issued share capital of Prowealth as at the date of completion of the Previous Agreement. Subsequent to 30 April 2008, the subscription price of the secured convertible bond of Prowealth is reduced to US$7.7 million and the remaining balance of US$2.3 million has been waived by Sun Boom and Prowealth. Part of the secured convertible bond of Prowealth in the amount of US$4,620,462 was converted into 1,666 ordinary shares of Prowealth of US$1.00 each. In addition, pursuant to several deeds of assignment dated 27 May 2008, Prowealth issued and allotted, credited as fully paid, 6,567 ordinary shares of US$1.00 each to Wise Virtue as consideration of capitalising an outstanding amount of approximately US$5.2 million (HK$40,521,000) owing to Mr. Li. Save as disclosed above, the Directors have confirmed that there has been no other material change in the indebtedness or contingent liabilities of the Enlarged Group since 30 April 2008.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, the date to which the latest audited consolidated financial statements of the Group were made up.

WORKING CAPITAL

The Directors are of the opinion that taking into account the Group' internal resources, the presently available banking and other facilities, the receipt by the Company of the subscription monies from the Convertible Note and the Warrants issued by the Company on 9 April 2008 and 28 January 2008, respectively, and provided that the lenders of the Enlarged Group will not demand immediate repayment and the Enlarged Group can refinance the bank loans of RMB 149.5 million (equivalent to approximately US$19.3 million) which shall be repayable within 12 months from the date of this circular, and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for a period of 12 months from the date of this circular.

(1) FINANCIAL INFORMATION OF THE PROWEALTH HOLDINGS GROUP LIMITED

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30 June 2008

The Board of Directors
Fulbond Holdings Limited
2805, 28th Floor
The Center
99 Queen's Road Central
Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Prowealth Holdings Group Limited ("Prowealth") and its subsidiaries (the "Group") in Sections I and II below, including the consolidated balance sheet as at 31 December 2007, balance sheet as at 31 December 2007, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the period from 17 May 2007 (date of incorporation) to 31 December 2007 (the "Relevant Period") and the notes thereto, prepared for inclusion in the circular (the "Circular") dated 30 June 2008 issued by Fulbond Holdings Limited (the "Company") in connection with the proposed acquisition of not less than 80% of the entire enlarged issued share capital of Prowealth.

Prowealth is a limited liability company incorporated in the British Virgin Islands on 17 May 2007 with an authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1.00 each. The registered office of Prowealth is located at 30 DeCastro Street, Wickhams Cay 1, P.O. Box 4519, Road Town, Tortola, British Virgin Islands. As at the date of this report, the principal place of business is Room 3705, 37/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The principal activity of Prowealth is investment holding and its subsidiaries are principally engaged in manufacturing and trading of aquatic products.

We have audited the consolidated financial statements of Prowealth for the Relevant Period (the "Financial Statements"). The Financial Statements were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"). As at the date of this report, Prowealth has the following subsidiaries:

Name of subsidiaries	Financial period	Name of auditors
Pride Joy Holdings Limited ("Pride Joy")	Year ended 31 December 2007	*Note (a)*
Smart Chance Holdings Limited ("Smart Chance")	Year ended 31 December 2007	*Note (a)*
H.K. Zhuoyue Investment Limited	Year ended 31 December 2007	Grant Thornton Certified Public Accountants
Wealth Strong International Limited	Year ended 31 December 2007	Grant Thornton Certified Public Accountants
Yield On International Limited	Year ended 31 December 2007	Grant Thornton Certified Public Accountants
海南佳德信食品有限公司 (Hainan Jiadexin Foodstuff Co., Ltd) ("Hainan Jiadexin")	Year ended 31 December 2007	海南海昌會計師事務所 (Hainan Haichang Accounting Firm)* *Note (b)*
茂名長興食品有限公司 (Maoming Changxing Foods Co., Ltd) ("Maoming Changxing")	Year ended 31 December 2007	茂明市名正會計師事務所有限公司 (Maoming Mingzhen Certified Public Accountants Co., Ltd) *Note (b)*
Bright Sea Development Limited ("Bright Sea")	*Note (c)*	*Note (c)*
Rich Ocean Hong Kong Group Limited ("Rich Ocean")	*Note (c)*	*Note (c)*

Note (a): No audited financial statements have been prepared for Pride Joy and Smart Chance as there is no statutory requirement for these entities to prepare audited financial statements.

Note (b): Audited financial statements of these entities were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the People's Republic of China (the "PRC").

Note (c): No audited financial statements have been prepared for Bright Sea and Rich Ocean as they are incorporated after 31 December 2007.

* *For indentification purpose only*

The Financial Information for the Relevant Period as set out in this report has been prepared by the directors of Prowealth based on the Financial Statements or, where appropriate, unaudited management accounts of the companies now comprising the Group, after making such adjustments as are appropriate. For the purpose of this report, we have examined the Financial Information and carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

The directors of Prowealth are responsible for the preparation of the Financial Statements and the Financial Information which give a true and fair view. The directors of the Company are responsible for the contents of the Circular in which this report is included. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Prowealth and the Group as at 31 December 2007 and of the consolidated result and cash flows of the Group for the Relevant Period.

I. FINANCIAL INFORMATION

A. CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 17 MAY 2007 (DATE OF INCORPORATION) TO 31 DECEMBER 2007

	Notes	*HK$'000*
Revenue	*5*	134,628
Cost of sales		(117,050)
Gross profit		17,578
Excess over the cost of a business combination recognised in the consolidated income statement	*25(a), 25(b)*	25,595
Other income	*5*	4,274
Selling and distribution expenses		(4,050)
Administrative expenses		(4,611)
Profit from operation	*7*	38,786
Finance costs	*8*	(4,504)
Profit before income tax		34,282
Income tax expense	*9*	–
Profit for the period	*10*	34,282
Earnings per share attributable to equity holders of Prowealth during the period	*11*	
– Basic		343
– Diluted		N/A

B. CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	*HK$'000*
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	*12*	66,277
Prepaid land lease payments	*13*	25,188
Deposits for acquisition of property, plant and equipment		2,752
		94,217
Current assets		
Inventories	*15*	55,513
Trade and bills receivables	*16*	68,184
Prepayments, deposits and other receivables		17,026
Amounts due from related companies	*17*	8,824
Cash and cash equivalents	*18*	24,251
		173,798
Current liabilities		
Trade payables	*19*	16,181
Accrued liabilities and other payables		21,828
Borrowings	*20*	134,953
Amount due to a director	*21*	46,481
Amounts due to directors of subsidiaries	*21*	10,394
		229,837
Net current liabilities		(56,039)
Total assets less current liabilities		38,178
Non-current liabilities		
Deferred tax liabilities	*22*	(1,362)
Net assets		36,816
EQUITY		
Equity attributable to equity holders of Prowealth		
Share capital	*23*	1
Reserves	*24*	36,815
Total equity		36,816

C. BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	*HK$'000*
ASSETS AND LIABILITIES		
Non-current assets		
Investment in subsidiaries	*14*	2
Current assets		
Amounts due from subsidiaries	*14*	69,106
Current liabilities		
Borrowings	*20*	59,906
Accrued liabilities and other payables		3,786
Amount due to a director	*21*	1,059
		64,751
Net current assets		4,355
Net assets		4,357
EQUITY		
Equity attributable to equity holders of Prowealth		
Share capital	*23*	1
Reserves	*24*	4,356
Total equity		4,357

D. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 17 MAY 2007 (DATE OF INCORPORATION) TO 31 DECEMBER 2007

	Equity attributable to equity holders of Prowealth				
	Share capital	**Statutory reserves**	**Translation reserve**	**Retained earnings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Issue of shares upon incorporation on 17 May 2007	1	–	–	–	1
Currency translation	–	–	2,533	–	2,533
Net income recognised directly in equity	–	–	2,533	–	2,533
Profit for the period	–	–	–	34,282	34,282
Total recognised income and expense for the period	–	–	2,533	34,282	36,815
Transfer to statutory reserves	–	2,376	–	(2,376)	–
Balance at 31 December 2007	1	2,376	2,533	31,906	36,816

E. CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 17 MAY 2007 (DATE OF INCORPORATION) TO 31 DECEMBER 2007

	Notes	*HK$'000*
Cash flows from operating activities		
Profit before income tax		34,282
Adjustments for:		
Finance costs		4,504
Interest income	*5*	(27)
Excess over the cost of a business combination recognised in the income statement		(25,595)
Impairment of goodwill	*7*	1,004
Depreciation	*7*	1,363
Amortisation of land use rights	*7*	115
Operating profit before working capital changes		15,646
Increase in inventories		(8,073)
Increase in trade and bills receivables		(47,785)
Decrease in prepayments, deposits and other receivables		5,349
Decrease in trade payables		(6,066)
Decrease in accrued liabilities and other payables		(3,290)
Net cash used in operations		(44,219)
Interest paid on bank borrowings		(4,504)
Net cash used in operating activities		(48,723)
Cash flow from investing activities		
Interest received		27
Purchase of property, plant and equipment		(13,340)
Purchase of land use right		(3,454)
Acquisition of subsidiaries	*25*	33,421
Net cash generated from investing activities		16,654
Cash flows from financing activities		
Issue of new shares		1
Advance from a director		18,652
Advance from directors of subsidiaries		9,209
Advance to related companies		(23,609)
Repayment from related companies		8,542
Drawdown of bank loans		48,927
Repayment of bank loans		(30,180)
Issue of promissory notes		24,896
Net cash generated from financing activities		56,438
Net increase in cash and cash equivalents		24,369
Cash and cash equivalents at beginning of period		–
Effect of foreign exchange rate changes, net		(118)
Cash and cash equivalents at end of period		24,251
Analysis of balances of cash and cash equivalents		
Cash and bank balances	*18*	24,251

II. NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION

The Financial Information set out in this report has been prepared in accordance with HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. ADOPTION OF NEW OR AMENDED HKFRSs

The Group has adopted all the new and amended HKFRSs which are effective for the annual accounting period beginning on 1 January 2007 and relevant to the Group.

New or amended HKFRSs that have been issued but are not yet effective:

The Group has not early adopted the following standards and interpretation that have been issued but are not yet effective for the Relevant Period. The directors of the Group anticipate that the adoption of such standards and interpretation will not result in material financial impact on the Financial Information for the Relevant Period.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
Amendments to HKAS 1 (Revised)	Presentation of Financial Statements – Puttable financial instruments and obligations arising on liquidation[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
Amendments to HKAS 32	Financial Instruments: Presentation – Puttable financial instruments and obligations arising on liquidation[1]
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement – Puttable financial instruments and obligations arising on liquidation[1]
Amendments to HKFRS 2	Share-based Payment – Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business Combinations – Comprehensive revision on applying the acquisition method[2]
Amendments to HKFRS 7	Financial Instruments: Disclosures – Puttable financial instruments and obligations arising on liquidation[1]
HKFRS 8	Operating Segments[1]
Amendments to HK(IFRIC) – Int 2	Members' Shares in Co-operative Entities and Similar Instruments [1]
HK(IFRIC) – Int 11	Group and Treasury Share Transactions [5]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009

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

3 Effective for annual periods beginning on or after 1 January 2008

4 Effective for annual periods beginning on or after 1 July 2008

5 Effective for annual periods beginning on or after 1 March 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been adopted in the preparation of the Financial Information are summarised below.

The Financial Information has been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4.

The Financial Information has been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group had net current liabilities of approximately HK$56,039,000 as at 31 December 2007. The going concern basis has been adopted on the basis that (i) the directors of Prowealth will continue to provide necessary financial support to meet the Group's liabilities and commitments as and when they fall due; (ii) a director of Prowealth and the directors of Prowealth's subsidiaries have undertaken not to demand repayment of their respective debts due from the Group until such time when repayment will not affect the Group's ability to repay other creditors in the normal course of business; and (iii) as detailed in note 32, subsequent to 31 December 2007, the Group has obtained additional financing from the issuance of US$10 million secured convertible bond and has capitalised an outstanding amount of approximately HK$40,521,000 owing to a director of Prowealth.

The Financial Information do not include any adjustments that would result from a failure of the Group to operate as a going concern. Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the Financial Information to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these potential adjustments has not been reflected in the Financial Information.

3.2 Basis of consolidation

The Financial Information incorporate the financial statements of Prowealth and its subsidiaries (together referred to as "the Group") made up to 31 December each year.

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair value, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the Financial Information. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In Prowealth's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by Prowealth on the basis of dividends received and receivable at the balance sheet date.

3.4 Foreign currency translation

The Financial Information is presented in Hong Kong Dollars (HK$), which is also the functional currency of Prowealth.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the Financial Information, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the balance sheet date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the translation reserve in equity.

3.5 Revenue recognition

Revenue comprises the fair value for the sale of goods and net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:–

(i) Sales of goods are recognised upon the transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods;

(ii) Interest income is recognised on a time-proportion basis using the effective interest method.

3.6 Borrowing costs

All borrowing costs are expensed as incurred.

3.7 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary.

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3.10).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3.8 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on the following property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Leasehold buildings	20 years
Machinery	10 years
Office equipment	5 years
Motor vehicles	5 years

The assets' residual value, useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction in progress represents machinery and leasehold buildings under construction and is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3.9 Prepaid land lease payments

Prepaid land lease payments represented up-front payments to acquire the land use rights/leasehold land. They are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight line basis over the lease term except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

3.10 Impairment of assets

Goodwill arising on acquisition of subsidiaries, property, plant and equipment, prepaid land lease payments and interests in subsidiaries are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying amount of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other non-financial assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average cost and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

3.12 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.13 Financial assets

The Group's financial assets include trade and other receivables and amounts due from related companies.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. The Group's financial assets are recognised initially, and measured at fair value, plus, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in income statement of the period in which the reversal occurs.

3.14 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

3.15 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

3.16 Retirement benefits scheme

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

3.17 Financial liabilities

The Group's financial liabilities include trade and other payables, amount due to a director, amounts due to directors of subsidiaries and borrowings.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Other financial liabilities (including trade and other payables)

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.18 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.19 Related parties

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3.20 Operating leases

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the period in which they are incurred.

3.21 Segment reporting

The Group is principally engaged in manufacturing and sales of aquatic products, which is the only business segment of the Group throughout the Relevant Period. Accordingly, no analysis by business segment is provided. In respect of geographical segment reporting, revenue is based on the location in which the customer is located and total assets and capital expenditure are where the assets are located.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Depreciation and amortisation

The Group depreciates the property, plant and equipment and amortises prepaid land lease payments in accordance with the accounting policies stated in notes 3.8 and 3.9 respectively. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of these assets.

Impairment and written off of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of the Group's debtors and the current market condition. When the Group's management determines that there are indicators of significant financial difficulties of the debtors such as default or delinquency in payments, allowance for impairment is estimated. The Group's management reassesses the estimations at the balance sheet date.

When the Group's management determines the debtors are uncollectible, they are written off against the allowance account for the debtors.

Net realisable value of inventories

These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the balance sheet date.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.10. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of assets (other than financial assets and goodwill)

The Group assesses whether there are any indicators of impairment for assets at each reporting date. They are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

Provision for taxes

The Group is mainly subject to various taxes in the PRC including corporate income tax. Significant judgement is required in determining the amount of the provision for taxes and the timing of payment of related taxes. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after allowances for returns and trade discounts.

An analysis of the Group's revenue and other income is as follows:

	Period from 17 May 2007 (date of incorporation) to 31 December 2007 *HK$'000*
Revenue:	
Sale of goods	134,628
Other income:	
Interest income on financial assets stated at amortised cost	27
Sales of by-products and miscellaneous	4,247
	4,274

6. SEGMENT INFORMATION

As over 90% of the turnover and the profit from operation of the Group for the Relevant Period are generated from the manufacturing and sales of aquatic products, no further segment information by business activity has been presented.

The Group has determined that geographical segment based on the location of customers is the primary reporting format. In determining the Group's geographical segments, revenues and results are attributed based on the location of the customers. Over 90% of the Group's assets are located in Asia Pacific. In the segment information below, Asia Pacific comprises customers in Korea, Australia, Taiwan, the PRC and Thailand, The Americas comprises customers in the United States of America and Europe comprises customers in France and Russia.

The following table presents revenue and profit information for each of the Group's geographical segments:

	Asia Pacific	The Americas	Europe	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	99,438	30,790	4,400	134,628
Other income – Sales of by-products	4,141	–	–	4,141
Total	103,579	30,790	4,400	138,769
Segment results	14,133	3,094	442	17,669
Excess over the cost of a business combination recognised in the consolidated income statement				25,595
Other income				133
Administrative expenses				(4,611)
Profit from operation				38,786
Finance costs				(4,504)
Profit before income tax				34,282
Income tax expense				–
Profit for the period				34,282

7. PROFIT FROM OPERATION

Profit from operation is arrived at after charging/(crediting):

	Period from 17 May 2007 (date of incorporation) to 31 December 2007
	HK$'000
Auditors' remuneration	840
Cost of inventories recognised as expense	117,050
Amortisation of prepaid land lease payments	115
Depreciation of property plant and equipment	1,363
Impairment of goodwill *(note 25(c))*	1,004
Minimum lease payments under operating leases for leasehold buildings	3,467
Net foreign exchange gain	(747)
Staff costs (including directors' remuneration)	
Salaries and wages	5,826
Retirement scheme contribution	333
	6,159

8. FINANCE COSTS

	Period from 17 May 2007 (date of incorporation) to 31 December 2007
	HK$'000
Interest on bank loans	1,398
Interest on promissory notes	3,106
Total interest expense on financial liabilities stated at amortised cost	4,504

9. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as the Group did not generate any assessable profit in Hong Kong for the period from 17 May 2007 (date of incorporation) to 31 December 2007. Income tax expense for other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

In accordance with various PRC statutory approval documents, Maoming Changxing Foods Co., Ltd ("Maoming Changxing") and Hainan Jiadexin Foodstuff Co., Ltd ("Hainan Jiadexin") were exempted from income tax commencing 1 January 2006 for the first two profit-making years and a 50% reduction in the income tax for the next three calendar years ("Tax Holiday").

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25% and will be effective from 1 January 2008. Subsequent to 16 March 2007, the implementation measure on transitional policy of preferential tax rate is announced, Maoming Changxing's and Hainan Jiadexin's entitlement to the Tax Holiday are still applicable. Upon expiry of the Tax Holiday, the new PRC corporate income tax rate of 25% is applicable to both companies.

Reconciliation between accounting profit and income tax expense at applicable rate is as follows:

	Period from 17 May 2007 (date of incorporation) to 31 December 2007
	HK$'000
Profit before income tax	34,282
Tax at applicable rate of 17.5%	5,999
Tax effect of non-taxable and non-deductible items, net	(2,518)
Effect of different tax rates of subsidiaries operating in other jurisdiction and others	1,774
Tax concession	(5,255)
Income tax expense	–

10. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF PROWEALTH

Of the consolidated profit attributable to the equity holders of Prowealth includes a profit of HK$4,356,000 which has been dealt with in the financial statements of Prowealth.

11. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF PROWEALTH

The calculation of basic earnings per share is based on the profit for the Relevant Period attributable to equity holders of Prowealth of HK$34,282,000 and on the 100 ordinary shares in issue during the Relevant Period.

Diluted earnings per share for the Relevant Period have not been calculated as there is no dilutive potential ordinary share during the Relevant Period.

The ordinary share transactions or potential ordinary share transactions that occur after the balance sheet date are disclosed in notes 20, 23 and 32 and the effects have not been included in calculations of earnings per share above.

12. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Construction in progress	Leasehold buildings	Machinery	Office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
On date of incorporation						
Cost	–	–	–	–	–	–
Accumulated depreciation	–	–	–	–	–	–
Net carrying amount	–	–	–	–	–	–
Period ended 31 December 2007						
Opening net carrying amount	–	–	–	–	–	–
Acquisition of subsidiaries	1,965	30,481	18,558	522	705	52,231
Additions	7	8,048	5,031	41	324	13,451
Transfer in/(out)	(117)	–	117	–	–	–
Depreciation	–	(518)	(758)	(51)	(36)	(1,363)
Exchange realignment	54	1,154	703	16	31	1,958
Closing net carrying amount	**1,909**	**39,165**	**23,651**	**528**	**1,024**	**66,277**
At 31 December 2007						
Cost	1,909	39,693	24,423	580	1,060	67,665
Accumulated depreciation	–	(528)	(772)	(52)	(36)	(1,388)
Net carrying amount	**1,909**	**39,165**	**23,651**	**528**	**1,024**	**66,277**

Notes:

(a) The Group's leasehold buildings are on land held under medium term leases in the PRC.

(b) The Group was in the process of obtaining certain building ownership certificates for the Group's leasehold buildings as at 31 December 2007. These leasehold buildings are erected on land for which relevant land use right certificates have been obtained by the Group as detailed in note 13.

(c) As at 31 December 2007, the Group's leasehold buildings at the net carrying amount of HK$28,186,000 and machinery at the net carrying amount of HK$15,626,000 were pledged to secure bank borrowings granted to the Group (note 20).

13. PREPAID LAND LEASE PAYMENTS – GROUP

	HK$'000
On date of incorporation	
Cost	–
Accumulated depreciation	–
Net carrying amount	–
Period ended 31 December 2007	
Acquisition of subsidiaries	21,117
Additions	3,454
Amortisation	(115)
Exchange realignment	732
Net carrying amount	25,188
At 31 December 2007	
Cost	25,305
Accumulated amortisation	(117)
Net carrying amount	25,188

Notes:

(a) The Group's land use rights are held under medium term lease.

(b) As at 31 December 2007, the Group was in the process of obtaining the land use right certificates for the Group's leasehold land with an aggregate net carrying amount of approximately HK$3,701,000. Subsequent to the balance sheet date, the Group obtained a relevant land use right certificate in respect of a land use right in the net carrying amount of approximately HK$3,583,000.

(c) As at 31 December 2007, the Group's land use rights at the net carrying amount of approximately HK$16,169,000 were pledged to secure bank borrowings granted to the Group (note 20).

14. INVESTMENT IN SUBSIDIARIES – PROWEALTH

	HK$'000
Unlisted shares, at cost	2
Due from subsidiaries included under current assets	69,106

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

Particulars of Prowealth's subsidiaries at the balance sheet date are as follows:

Name of subsidiary	Place of incorporation	Particulars of issued and paid up capital	Percentage of equity interest attributable to the Prowealth		Principal activities
			Direct	Indirect	
Pride Joy Holdings Limited ("Pride Joy")	The British Virgin Islands ("BVI")	USD100	100%	–	Investment holding
Smart Chance Holdings Limited ("Smart Chance")	BVI	USD100	100%	–	Investment holding
Yield On International Limited ("Yield On")	Hong Kong	HKD100	100%	–	Trading of aquatic products
H.K. Zhuoyue Investment Limited ("H.K. Zhuoyue")	Hong Kong	HKD10,000	–	100%	Investment holding
Wealth Strong International Limited ("Wealth Strong")	Hong Kong	HKD10,000	–	100%	Investment holding
Hainan Jiadexin*	The People's Republic of China (the "PRC")	RMB 5,000,000	–	100%	Manufacture and sales of aquatic products
Maoming Changxing*	The PRC	USD5,000,000	–	100%	Manufacture and sales of aquatic products

* Registered as wholly-foreign owned enterprises under the PRC law.

The financial statements of the above subsidiaries are audited by Grant Thornton for statutory purpose or Group consolidation purpose.

15. INVENTORIES – GROUP

	HK$'000
Raw materials	2,545
Work in progress	24,463
Finished goods	28,505
	55,513

16. TRADE AND BILLS RECEIVABLES – GROUP

	HK$'000
Trade and bills receivables	68,184

An ageing analysis of the Group's trade and bills receivables as at the balance sheet date is as follows:

	HK$'000
0 to 90 days	65,645
91 – 180 days	2,065
Over 180 days	474
	68,184

At 31 December 2007, trade and bills receivables amounted to US$55,440 (equivalent to approximately HK$431,000) were pledged to secure bank borrowings granted to the Group (note 20).

The majority of the Group's sales are on credit. The Group has a policy of allowing trade customers with credit normally ranged from 30 to 90 days. Overdue balances are reviewed regularly by management. The directors of Prowealth are of the opinion that no allowance for impairment of trade and bills receivables is necessary as there was no recent history of default in respect of these trade debtors.

An ageing analysis of the Group's trade and bills receivables that are not considered to be impaired is as follows:

	HK$'000
Neither past due nor impaired	65,645
Less than 6 months past due	2,065
6 to 12 months past due	474
	68,184

17. AMOUNTS DUE FROM RELATED COMPAINES – GROUP

The balances are unsecured, interest-free and repayable on demand.

18. CASH AND CASH EQUIVALENTS – GROUP

Cash and cash equivalents include the following components:

	HK$'000
Cash at bank and in hand	24,251

Cash at bank earns interest at floating rates based on daily bank deposit rates.

As at 31 December 2007, the Group had cash and bank balances denominated in RMB amounting to approximately HK$10,600,000, which were deposited with banks in the PRC and held in hand. The RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

19. TRADE PAYABLES – GROUP

An aging analysis of the Group's trade payable as at the balance sheet date is as follows:

	HK$'000
0 to 90 days	16,115
Over 90 days	66
	16,181

20. BORROWINGS

As at 31 December 2007, the Group's and Prowealth's borrowings were repayable within one year and analysed as below:

	Notes	**Original Currency**	**Group** *HK$'000*	**Prowealth** *HK$'000*
Bank loans (secured)	*(i)*	RMB	75,047	–
Promissory notes (guaranteed)	*(ii)*	USD	59,906	59,906
			134,953	59,906

(i) The bank loans of HKD74,742,000 were secured by i) the Group's property, plant and equipment and land use rights as detailed in notes 12 and 13 respectively; ii) personal guarantees provided by Mr. Li Geng ("Mr. Li"), Prowealth's director and his wife, Ms. Huang Yu Wei; and iii) Mr. Liang Zhen Mei ("Mr. Liang"), a director of a subsidiary of Prowealth and his wife, Ms. Zhang Bi Rong. The bank loans of the Group bear fixed interest rate ranged from 7.02% to 7.29% per annum.

The remaining balance of bank loans of RMB 305,000 bears interest at floating rate. The amount was guaranteed by Mr. Li and secured by the Group's account receivables as detailed in note 16. The loan balance was fully settled subsequent to 31 December 2007.

(ii) Prowealth's promissory notes in the amount of US$7.7 million (equivalent to approximately HK$59,906,000) were issued to Sun Boom Limited ("Sun Boom") and were guaranteed by Mr Li. The promissory notes bear fixed interest rate of 20% per annum as at 31 December 2007. Mr. Cheng

Wyman, Paul, a director of Yield On, is also a director of Sun Boom. Subsequent to the balance sheet date, Prowealth's promissory notes in the amount of US$7.7 million were settled as part payment of the Subscription Price of the Convertible Bond (note 32).

21. BALANCES WITH A DIRECTOR OF PROWEALTH/ DIRECTORS OF SUBSIDIARIES

The balances are unsecured, interest-free and repayable on demand. The balance due to Mr. Li amounted to approximately HK40,521,000 was capitalised as share capital and share premium pursuant to several deeds dated 27 May 2008 (note 32).

22. DEFERRED TAX LIABILITIES – GROUP

Deferred tax liabilities are calculated in full on temporary differences under the liability method using applicable tax rate of 25%.

The movement on deferred tax liabilities during the period is as follows:

	Fair value adjustments arising from acquisition of subsidiaries *HK$'000*
On date of incorporation	–
Arising on acquisition of subsidiaries *(note 25(a) and 25(b))*	1,323
Exchange realignment	39
At 31 December 2007	1,362

23. SHARE CAPITAL – PROWEALTH

	Number of shares	*HK$'000*
Authorised:		
Ordinary shares of US$1.00 each at 31 December 2007	50,000	389
Issued and fully paid:		
Ordinary shares of US$1.00 each at 31 December 2007	100	1

Prowealth was incorporated with an authorised share capital of US$50,000 which comprises 50,000 ordinary shares of US$1.00 each. 100 ordinary shares of Prowealth of US$1.00 each were issued at par for cash upon incorporation.

Subsequent to the balance sheet date, 6,567 new ordinary shares of US$1.00 each and 1,666 new ordinary shares of US$1.00 each were issued at par and the details of which are set out in note 32.

24. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the period from 17 May 2007 (date of incorporation) to 31 December 2007 are presented in the consolidated statement of changes in equity on page II-7.

In accordance with relevant PRC regulations, the subsidiaries of Prowealth are required to appropriate not less than 10% of their profits after tax to the statutory reserves, until the balances of the fund reach 50% of the registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to offset against their accumulated losses, if any.

Prowealth

	Retained earnings
	HK$'000
Upon incorporation	–
Profit for the period -Total recognised income and expense for the period	4,356
Balance at 31 December 2007	4,356

25. BUSINESS COMBINATIONS

(a) On 1 September 2007, the Group acquired 100% equity interest in Pride Joy Holdings Limited and its subsidiaries ("Pride Joy Group") at a cash consideration of US$100 (equivalent to approximately HK$778). Pride Joy Group is principally engaged in manufacture and sales of aquatic products. Mr. Li had non-controlling equity interests in Pride Joy Group before the acquisition.

Details of the net assets acquired and excess over the cost of a business combination recognised in the consolidated income statement are as follows:

	HK$'000
Total purchase consideration	1
Fair value of net assets acquired	(10,848)
Excess over the cost of a business combination recognised in the consolidated income statement	(10,847)

The consolidated assets and liabilities of Pride Joy Group arising from the acquisition are as follows:

	Fair value *HK$'000*	Carrying amount *HK$'000*
Property, plant and equipment	20,589	20,589
Prepaid land lease payments	5,103	2,575
Deposit for acquisition of property, plant and equipment	196	196
Inventories	25,184	25,184
Trade and bills receivables	15,211	15,211
Prepayments, deposits and other receivables	6,623	6,623
Bank and cash balances	424	424
Trade payables	(10,191)	(10,191)
Accrued liabilities and other payables	(21,703)	(21,703)
Bank loans	(29,325)	(29,325)
Amounts due from group companies	6,006	6,006
Amounts due from related companies	1,830	1,830
Amount due to a director	(8,265)	(8,265)
Amount due to a director of a subsidiary	(202)	(202)
Deferred tax liabilities	(632)	–
Net assets acquired	10,848	8,952
Bank and cash balances in subsidiaries acquired		424
Cash consideration		(1)
Net inflow		423

Had the combination taken place on 17 May 2007 (date of incorporation), the revenue and the net profit of the Group for the period ended 31 December 2007 would have been approximately HK$161,428,000 and HK$34,393,000 respectively. These pro forma information are for illustrative purpose only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 17 May 2007, nor are they intended to be a projection of future results. Since its acquisition, Pride Joy Group contributed revenue of approximately HK$56,093,000 and net profit of HK$4,773,000 to the Group for the period from 1 September 2007 to 31 December 2007.

(b) On 1 September 2007, the Group acquired 100% equity interest in Smart Chance Holdings Limited and its subsidiaries ("Smart Chance Group") at a cash consideration of US$100 (equivalent to approximately HK$778). Smart Chance Group is principally engaged in manufacture and sales of aquatic products. Mr. Li had non-controlling equity interests in Smart Chance Group before the acquisition.

Details of the net assets acquired and excess over the cost of a business combination recognised in the consolidated income statement are as follows:

	HK$'000
Total purchase consideration	1
Fair value of net assets acquired	(14,749)
Excess over the cost of a business combination recognised in the consolidated income statement	(14,748)

The consolidated assets and liabilities of Smart Chance Group arising from the acquisition are as follows:

	Fair value	Carrying amount
	HK$'000	*HK$'000*
Property, plant and equipment	31,642	31,642
Prepaid land lease payments	16,014	13,250
Deposit for acquisition of property, plant and equipment	2,667	2,667
Inventories	22,256	22,256
Trade and bills receivables	5,188	5,188
Prepayments, deposits and other receivables	13,085	13,085
Bank and cash balances	31,774	31,774
Trade payables	(12,056)	(12,056)
Bank loans	(26,975)	(26,975)
Accrued liabilities and other payables	(2,962)	(2,962)
Amount due to a director	(19,011)	(19,011)
Amount due to director of a subsidiary	(983)	(983)
Amounts due to related companies	(8,073)	(8,073)
Amounts due to group companies	(37,126)	(37,126)
Deferred tax liabilities	(691)	–
Net assets acquired	14,749	12,676
Bank and cash balances in subsidiaries acquired		31,774
Cash consideration		(1)
Net inflow		31,773

Had the combination taken place on 17 May 2007 (date of incorporation), the revenue and the net profit of the Group for the period ended 31 December 2007 would have been HK$165,259,000 and HK$35,573,000 respectively. These pro forma information are for illustrative purpose only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 17 May 2007, nor are they intended to be a projection of future results.

Since its acquisition, Smart Chance Group contributed revenue of HK$53,703,000 and net profit of HK$11,723,000 to the Group for the period from 1 September 2007 to 31 December 2007.

(c) On 1 September 2007, the Group acquired 100% equity interest in Yield On International Limited ("Yield On") at a cash consideration of HK$100 (the "Yield On Acquisition"). Yield On is principally engaged in trading of aquatic products. Mr. Li had non-controlling equity interests in Yield On before the acquisition.

Details of the net liabilities acquired and goodwill are as follows:

	HK$'000
Total purchase consideration	–
Fair value of net liabilities acquired	1,004
Goodwill	1,004

The goodwill is attributable to the significant synergies expected to arise after the Group's acquisition of Yield On. The goodwill of HK$1,004,000 was fully impaired during the period.

The assets and liabilities of Yield On arising from the acquisition are as follows:

	Fair value	Carrying amount
	HK$'000	*HK$'000*
Prepayments, deposits and other receivables	2,667	2,667
Bank and cash balances	1,225	1,225
Amounts due from group companies	31,120	31,120
Accrued liabilities and other payables	(453)	(453)
Amount due to Prowealth *(note 26(ii))*	(35,010)	(35,010)
Amount due to a director	(553)	(553)
Net liabilities acquired	(1,004)	(1,004)
Bank and cash balances in subsidiaries acquired		1,225
Cash consideration		–
Net inflow		1,225

Had the combination taken place on 17 May 2007 (date of incorporation), the revenue and the net profit of the Group for the period ended 31 December 2007 would have been HK$134,628,000 and approximately HK$34,248,000 respectively. These pro forma information are for illustrative purpose only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 17 May 2007, nor are they intended to be a projection of future results. Since its acquisition, Yield On contributed revenue of HK$24,832,000 and net loss of HK$4,231,000 to the Group for the period from 1 September 2007 to 31 December 2007.

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

In addition to those disclosed elsewhere, the Group had the following major non-cash transactions:

(i) During the period from 17 May 2007 (date of incorporation) to 31 December 2007, a deposit of HK$111,000 paid before the business combination for acquisition of property, plant and equipment was capitalised as property, plant and equipment.

(ii) During the period from 17 May 2007 (date of incorporation) to 31 December 2007, drawdown from Prowealth's promissory note in the amount of US$4.5 million (equivalent to approximately HK$35,010,000) issued to Sun Boom was directly advanced to Yield On before the Yield On Acquisition.

27. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to the directors were as follows:

	Fees	**Salaries, allowance and other benefits**	**Retirement scheme contribution**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the period from 17 May 2007 (date of incorporation) to 31 December 2007				
Li Geng	–	9	1	10
Lam So Ying	–	–	–	–
	–	9	1	10

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Relevant Period included a director, whose emoluments are presented above. The emoluments of the remaining four highest paid individuals during the Relevant Periods are as follows:

	HK$'000
Salaries, allowances and other benefits	65
Retirement scheme contribution	5
	70

The number of individuals fell within the following emolument band (excluding directors):

Emolument band	
HK$nil – HK$1,000,000	4

During the Relevant Period, no emoluments were paid by Prowealth to highest paid individuals or directors as an inducement to join or upon joining Prowealth or as compensation for loss of office.

28. RELATED PARTY TRANSATIONS

Save as disclosed elsewhere in the Financial Information, the Group had the following material related party transactions:

(a) Compensation of key management personnel of the Group:

	HK$'000
Total remuneration of directors and other members of key management personnel during the period	
– Short term employee benefits	40
– Retirement scheme contribution	4
	44

(b) Pursuant to the sale and purchase agreement dated 10 December 2007, a leasehold building and a land use right were purchased from Mr. Liang. The purchase considerations were RMB 7,792,000 and RMB 3,345,000 respectively. The sale and purchase were based on mutually agreed terms.

29. COMMITMENTS – GROUP

Capital Commitments

At the balance sheet date, the Group had the following outstanding capital commitments:

	HK$'000
Contracted, but not provided for	
– Machinery	993
– Buildings	5,025
	6,018

Operating leases commitments

As at 31 December 2007, the total future minimum lease payments of the Group under non-cancellable operating leases are as follows:

	HK$'000
Within one year	1,030

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group does not have written risk management policies and guidelines. However, the directors of Prowealth meet periodically to analyse and formulate measures to manage the Group's exposure to market risk (including principally changes in interest rates and currency exchange rates), credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management. As the directors of the Group considers that the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

i) Credit risk

The maximum credit risk exposure of the financial assets is their carrying amounts as summarised in note (vi) below.

In the opinion of the directors of Prowealth, the Group does not have significant credit risk exposure because:

- The Group's bank balances are mainly deposited with the Hong Kong and PRC banks; and
- The Group has no significant concentration of credit risk arising from its ordinary course of business due to its relatively large customer base.

There is no requirement for collateral by the Group.

ii) Foreign currency risk

The Group's exposure to market risk for changes in foreign currency exchange rates relates primarily to the financial assets and liabilities denominated in currencies other than the functional currencies of the Group entitles to which the balances relate. The currencies giving rise to this risk are primarily related to United States dollars ("USD") and Renminbi.

The following table details Prowealth's and the Group's exposure at the balance sheet date to currency risk arising from recognised financial assets or liabilities denominated in a currency other than the functional currency:

	As at 31 December 2007		
	Group		**Prowealth**
	RMB'000	*USD'000*	*USD'000*
Trade and bills receivables	9,238	7,496	–
Other receivables	7,033	–	–
Amounts due from related companies	8,263	–	–
Amount due from a subsidiary	–	–	7,700
Cash and cash equivalents	10,041	1,714	–
	34,575	9,210	7,700
Trade payables	(15,154)	–	–
Other payables	(5,524)	(399)	(399)
Amount due to a director	(11,525)	(3,750)	–
Amount due to a director of a subsidiary	(9,734)	–	–
Borrowings	(70,285)	(7,700)	(7,700)
	(112,222)	(11,849)	(8,099)
Net exposures	(77,647)	(2,639)	(399)

The sensitivity analysis has been determined assuming that the reasonably possible change in foreign exchange rate had occurred at the balance sheet date and had been applied to the Group's and Prowealth's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The assumed changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date with reference to the historical trend of HKD against RMB and USD. A 5% strengthening/(weakening) of HKD against RMB and USD at the balance sheet date would increase/(decrease) the Group's and Prowealth's profit after tax and retained earnings by the amount shown below. Changes in foreign exchange rates have no impact on the Group's and Prowealth's other components of equity.

	Group	**Prowealth**
	Profit/(Loss)	*Profit/(Loss)*
	HKD'000	HKD'000
RMB	4,145/(4,145)	–
USD	1,027/(1,027)	155/(155)
Total	5,172/(5,172)	155/(155)

iii) Interest rate risk

The Group does not have significant exposure to interest rate risk in respect of the Group's borrowings as they are mainly at fixed rates and stated at amortised cost. The Group's exposure to interest rate risk mainly arises on bank deposits but the exposure is not significant. The Group has not used any derivative contracts to hedge its exposure to interest rate risk or formulated a policy to manage the interest rate risk.

Sensitivity of the Group's profit after tax and retained earnings to a reasonably possible change in the interest rate until the next annual balance sheet date is assessed to be immaterial. Changes in interest rates have no impact on other components of equity.

iv) Fair value

The fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of their immediate or short term maturity.

v) Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on internally generated funding and borrowings as significant sources of liquidity. The maturity profile of the Group's and Prowealth's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, were as follows:

Group	As at 31 December 2007			
	On demand	Less than 3 months	3 to less than 12 months	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Trade payables	212	15,969	–	16,181
Other payables	5,486	2,842	1,095	9,423
Borrowings	35,010	24,896	75,047	134,953
Due to a director	46,481	–	–	46,481
Due to directors of subsidiaries	10,394	–	–	10,394
	97,583	43,707	76,142	217,432

Prowealth	As at 31 December 2007			
	On demand	Less than 3 months	3 to less than 12 months	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Other payables	–	2,425	681	3,106
Borrowings	35,010	24,896	–	59,906
Due to a director	1,059	–	–	1,059
	36,069	27,321	681	64,071

As at 31 December 2007, the Group had net current liabilities of HK$56,039,000. As detailed in note 3.1, the liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operation to meet its debt obligations and to obtain financial undertakings from the directors of Prowealth and the directors of Prowealth's subsidiaries.

vi) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the balance sheet dates are also analysed into the following categories. See notes 3.13 and 3.17 for explanations about how the category of financial instruments affects their subsequent measurement.

	As at 31 December 2007	
	Group	Prowealth
	HKD'000	*HKD'000*
Financial assets		
Loan and receivables		
– Trade and bills receivables	68,184	–
– Other receivables	7,513	–
– Amounts due from related companies	8,824	–
– Amounts due from subsidiaries	–	69,106
	84,521	69,106
Cash and cash equivalents	24,251	–
	108,772	69,106

	As at 31 December 2007	
	Group	**Prowealth**
	HKD'000	*HKD'000*
Financial liabilities		
Financial liabilities measured at amortised cost		
– Trade payables	16,181	–
– Other payables	9,423	3,106
– Borrowings	134,953	59,906
– Due to a director	46,481	1,059
– Due to directors of subsidiaries	10,394	–
	217,432	64,017

31. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debts.

Management regards total equity as capital, for capital management purpose. The amount of capital as at 31 December 2007 amounted to approximately HK$36,816,000, which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

32. POST BALANCE SHEET EVENTS

In addition to those disclosed elsewhere, the Group had the following material post balance sheet events:

(i) On 21 February 2008 (the "Issue Date"), Prowealth entered into a subscription agreement (the "Subscription Agreement") with Sun Boom (the "Bond Holder") in respect of issuance of US$10 million (the "Subscription Price") secured convertible bond (the "Convertible Bond") to the Bond Holder. Subject to further adjustment on the Subscription Price as agreed between Prowealth and the Bond Holder, partial amount of the Subscription Price of US$7.7 million should be settled by set-off of Prowealth's promissory notes amounted to US$7.7 million held by the Bond Holder and the remaining balance of US$2.3 million should be settled by cash.

The amount outstanding under the Convertible Bond shall be convertible into the ordinary shares of Prowealth, credited as fully paid, in accordance with a conversion formula set forth in the terms and conditions of the Convertible Bond. No interest shall be charged on the Convertible Bond unless certain specified events set out in the terms and conditions of the Convertible Bond occur. If interest shall be chargeable on the Convertible Bond, such interest shall be charged at the rate of 20% per annum and should be accrued with full retrospective effect from the Issue Date. The maturity date of the Convertible Bond is 21 March 2011 and is extendable to 21 March 2012 at the option of Bond Holder.

The Convertible Bond is secured by:

a) joint and several guarantee by Mr. Li and Ms. Lam So Ying. Ms. Lam So Ying is a director of Wise Virtue Holdings Limited ("Wise Virtue"), the ultimate holding company of Prowealth;

b) security deeds over shares in Prowealth and Prowealth's subsidiaries, namely, Yield On, Smart Chance, Pride Joy, Wealth Strong and H.K. Zhouyue;

c) charge and assignment for all present and future indebtedness due from Hainan Jiadexin to H.K. Zhouyue;

d) charge and assignment for all present and future indebtedness due from Maoming Changxing to Wealth Strong;

e) subordination deed executed by Mr. Li, Prowealth and Hainan Jiadexin; and

f) debenture by Yield On to charge and assign all its assets and undertaking.

Pursuant to a settlement agreement dated 27 May 2008, the subscription price of the Convertible Bond is reduced to US$7.7 million and is settled by set-off of Prowealth's promissory notes amounted to US$7.7 million (note 20). The remaining balance of US$2.3 million has been waived by the Bond Holder and Prowealth. Partial of the Convertible Bond in the amount of US$4,620,462 were converted into 1,666 ordinary shares of Prowealth of US$1.00 each.

(ii) Pursuant to several deeds of assignment dated 27 May 2008, Prowealth issued and allotted, credited as fully paid, 6,567 ordinary shares of US$1.00 each to Wise Virtue as consideration of capitalising an outstanding amount of approximately HK$40,521,000 owing to Mr. Li.

33. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Prowealth and its subsidiaries in respect of any period subsequent to 31 December 2007.

Yours faithfully,

Grant Thornton
Certified Public Accountants

13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Management discussion and analysis of the Prowealth Group

For the period from 17 May 2007 (date of incorporation) to 31 December 2007

Business and financial review

Prowealth is an investment holding company incorporated in the BVI on 17 May 2007, which holds 100% of the equity interest in Yield On and through various intermediary subsidiaries holds 100% of the equity interest in Maoming Changxing and Hainan Jiadexin. Prowealth has not conducted any business since its date of incorporation save for its holding of the investment in Yield On, Maoming Changxing and Hainan Jiadexin. Yield On is a company incorporated in Hong Kong with limited liability and is engaged in the seafood trading business. Both Maoming Changxing and Hainan Jiadexin are limited companies established in the PRC and are principally engaged in seafood processing business in the PRC. Prowealth Group specialises in nursery, processing and export of tilapia fish and shrimp. Prowealth Group is a wholesaler and its customers mainly comprised of Australia, Korea and US seafood distributors and importers from other countries.

The audited financial information of Prowealth and its subsidiaries have been prepared in accordance with HK GAAP.

Consolidated Income Statement of the Prowealth Group for the period from 17 May 2007 (date of incorporation) to 31 December 2007

	HK$'000
Revenue	134,628
Cost of sales	(117,050)
Gross profit	17,578
Other income	29,869
Selling and distribution expenses	(4,050)
Administrative expenses	(4,611)
Profit from operation	38,786
Finance costs	(4,504)
Profit before income tax	34,282
Income tax expense	–
Profit for the period	34,282

The audited net profits before and after tax of Maoming Changxing and Hainan Jiadexin for the financial year ended 31 December 2006 were approximately RMB 5.4 million (approximately HK$5.9 million) and RMB 6.9 million (approximately HK$7.6

million) respectively whereas their audited net profits before and after tax for the year ended 31 December 2007 were approximately RMB 15.9 million (approximately HK$17.5 million) and RMB 6.1 million (approximately HK$6.7 million) respectively. The audited net loss before and after tax of Yield On for the financial year ended 31 December 2006 and 2007 were approximately HK$0.9 million and HK$4.3 million respectively. No tax provision was made for Maoming Changxing and Hainan Jiadexin for the years ended 31 December 2006 and 31 December 2007 due to the tax exemption. The accounting standards adopted by Yield On, Maoming Changxing and Hainan Jiadexin for preparing its financial information set out in Appendix III were Hong Kong Financial Reporting Standards.

Liquidity and financial resources

As at 31 December 2007, the cash and bank balances of Prowealth Group comprise cash and bank deposits of HK$24,251,000 and the equity attributable to equity holders of Prowealth Group was approximately HK$36,816,000. Total liabilities as at 31 December 2007 was approximately HK$231,199,000, consisted of mainly bank and other borrowings, trade payables, accrued liabilities and amount due to a director. Prowealth Group will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure when necessary. Prowealth Group had a gearing ratio of approximately 628.0% calculated by dividing total liabilities by the total shareholders' equity.

Significant investments and material acquisitions and disposals of subsidiaries

On 1 September 2007, Prowealth has acquired 100% equity interest in Pride Joy Holdings Limited, Smart Chance Holdings Limited and their subsidiaries. These companies are principally engaged in the manufacture and sale of aquatic products. Also on 1 September 2007, Prowealth has acquired 100% equity interest in Yield On, which is a company principally engaged in trading of aquatic products. Details of these acquisitions were detailed in note 25 of the financial information of Prowealth as set out in Appendix II of this circular.

Finance costs

Finance costs amounted to approximately HK$4,504,000 for the period from 17 May 2007 (date of incorporation) to 31 December 2007.

Charges over assets

At 31 December 2007, Prowealth Group had pledged certain trade and bills receivables, property, plant and equipment and the land use rights with carrying amounts of HK$60,412,000 for securing bank loans granted to Prowealth Group.

Capital structure

The capital structure of the Prowealth Group consists of debt, which includes bank and other borrowings, cash and bank balances and equity attributable to equity holders of Prowealth Group, comprising issued share capital and reserves. The directors of Prowealth Group review the capital structure regularly and consider the cost of capital and the risks associated with each class of capital. The directors of Prowealth Group will balance its overall capital structure through the issue of new shares as well as issue of new debt or the redemption of existing debt.

Contingent liabilities

Prowealth Group has no contingent liabilities as at 31 December 2007.

Employees and remuneration

During the period from 17 May 2007 (date of incorporation) to 31 December 2007, Prowealth Group employed an average of 1,126 full time management, administrative and production staff in the PRC. Salaries of employees and directors were determined with reference to their duties, responsibilities and contribution to Prowealth, the prevailing market conditions, time commitment and desirability of performance-based remuneration.

(2) FINANCIAL INFORMATION OF THE YIELD ON INTERNATIONAL LIMITED

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30 June 2008

The Board of Directors
Fulbond Holdings Limited
2805, 28th Floor
The Center
99 Queen's Road Central
Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Yield On International Limited ("Yield On"), in Sections I and II below, including the balance sheets as at 31 December 2006 and 2007, income statements, cash flow statements and statements of changes in equity for the period from 26 April 2006 (date of incorporation) to 31 December 2006 and year ended 31 December 2007 (the "Relevant Periods") and the notes thereto, prepared for inclusion in the circular (the "Circular") dated 30 June 2008 issued by Fulbond Holdings Limited (the "Company") in connection with the proposed acquisition of not less than 80% of the entire enlarged issued share capital of Prowealth Holdings Group Limited ("Prowealth").

Yield On is a limited liability company incorporated in Hong Kong on 26 April 2006 with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each. As at the date of this report, Yield On is a wholly owned subsidiary of Prowealth. The registered office and its principal place of business is 78th floor, The Center, 99 Queen's Road, Central, Hong Kong. The principal activity of Yield On is trading of aquatic products.

We have audited the financial statements of Yield On for the Relevant Periods. The financial statements of Yield On for the Relevant Periods (the "Financial Statements") were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Hong Kong Companies Ordinances.

The Financial Information for the Relevant Periods as set out in this report has been prepared by the directors of Yield On based on the Financial Statements or, where appropriate, unaudited management accounts of Yield On, after making such adjustments as are appropriate. For the purpose of this report, we have examined the Financial Information and carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of Yield On are responsible for the preparation of the Financial Statements and the Financial Information which give a true and fair view. The directors of the Company are responsible for the contents of the Circular in which this report is included. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Yield On as at 31 December 2006 and 2007 and of the results and cash flows of Yield On for each of the Relevant Periods.

I. FINANCIAL INFORMATION

A. INCOME STATEMENTS

	Notes	Period from 26 April 2006 (date of incorporation) to 31 December 2006 HK$'000	Year ended 31 December 2007 HK$'000
Revenue	5	–	24,812
Cost of sales		–	(28,726)
Gross loss		–	(3,914)
Other income	5	–	20
Selling and distribution expenses		–	(260)
Administrative expenses		(903)	(178)
Loss before income tax	7	(903)	(4,332)
Income tax expense	8	–	–
Loss for the period/year		(903)	(4,332)
Loss per share attributable to equity holder of Yield On during the period/year	9		
– Basic		(82)	(43)
– Diluted		N/A	N/A

B. BALANCE SHEETS

	Notes	As at 31 December 2006 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Current assets			
Trade and bills receivables	10	–	5,208
Prepayments, deposits and other receivables		–	2,320
Amount due from a director	11	–	511
Amount due from a fellow subsidiary	11	–	38,830
Cash and cash equivalents	12	–	11,103
		–	57,972
Current liabilities			
Accrued liabilities and other payables		903	499
Amount due to immediate holding company	11	–	59,906
Amount due to a fellow subsidiary	11	–	2,802
		903	63,207
Net current liabilities		(903)	(5,235)
Net liabilities		(903)	(5,235)
EQUITY			
Equity attributable to equity holder of Yield On			
Share capital	13	–	–
Accumulated losses		(903)	(5,235)
Capital deficiency		(903)	(5,235)

C. STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holder of Yield On		
	Share capital	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Issue of shares upon incorporation on 26 April 2006 and 26 December 2006	–	–	–
Loss for the period	–	(903)	(903)
Total recognised income and expense for the period	–	(903)	(903)
Balance as at 31 December 2006 and 1 January 2007	–	(903)	(903)
Loss for the year	–	(4,332)	(4,332)
Total recognised income and expense for the year	–	(4,332)	(4,332)
Balance as at 31 December 2007	–	(5,235)	(5,235)

D. CASH FLOW STATEMENTS

	Note	Period from 26 April 2006 (date of incorporation) to 31 December 2006	Year ended 31 December 2007
		HK$'000	*HK$'000*
Cash flows from operating activities			
Loss before income tax		(903)	(4,332)
Adjustments for:			
Interest income		–	(20)
Operating loss before working capital changes		(903)	(4,352)
Increase in trade receivables		–	(5,208)
Increase in prepayments, deposits and other receivables		–	(2,320)
Increase/(decrease) in accrued liabilities and other payables		903	(404)
Net cash used in operating activities		–	(12,284)
Cash flows from investing activities			
Interest received		–	20
Net cash generated from investing activities		–	20
Cash flows from financing activities			
Advance to a director		–	(1,083)
Repayment from a director		–	572
Advance from immediate holding company		–	59,906
Advance to fellow subsidiaries		–	(62,707)
Repayment from fellow subsidiaries		–	26,679
Net cash generated from financing activities		–	23,367
Net increase in cash and cash equivalents		–	11,103
Cash and cash equivalents at beginning of period/year		–	–
Cash and cash equivalents at end of period/year		–	11,103
Analysis of balances of cash and cash equivalents			
Cash and bank balances	*12*	–	11,103

II. NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION

The Financial Information set out in this report has been prepared in accordance with HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and have been consistently applied throughout the Relevant Periods.

2. ADOPTION OF NEW OR AMENDED HKFRSs

Yield On has adopted all the new and amended HKFRSs which are effective for the annual accounting period beginning on 1 January 2006 and relevant to Yield On.

New or amended HKFRSs that have been issued but are not yet effective:

Yield On has not early adopted the following standards and interpretation that have been issued but are not yet effective for the Relevant Periods. The directors of Yield On anticipate that the adoption of such standards and interpretation will not result in material financial impact on the Financial Information for the Relevant Periods.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
Amendments to HKAS 1 (Revised)	Presentation of Financial Statements – Puttable financial instruments and obligations arising on liquidation [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
Amendments to HKAS 32	Financial Instruments: Presentation – Puttable financial instruments and obligations arising on liquidation [1]
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement – Puttable financial instruments and obligations arising on liquidation [1]
Amendments to HKFRS 2	Share-based Payment – Vesting conditions and cancellations [1]
HKFRS 3 (Revised)	Business Combinations – Comprehensive revision on applying the acquisition method [2]
Amendments to HKFRS 7	Financial Instruments: Disclosures – Puttable financial instruments and obligations arising on liquidations [1]
HKFRS 8	Operating Segments [1]
Amendments to HK(IFRIC) – Int 2	Members' Shares in Co-operative Entities and Similar Instruments [1]
HK(IFRIC) – Int 11	Group and Treasury Share Transactions [5]
HK(IFRIC) – Int 12	Service Concession Arrangements [3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes [4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009

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

3 Effective for annual periods beginning on or after 1 January 2008

4 Effective for annual periods beginning on or after 1 July 2008

5 Effective for annual periods beginning on or after 1 March 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been adopted in the preparation of the Financial Information are summarised below. These policies have been consistently applied to all the periods presented unless otherwise stated.

The Financial Information has been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4.

The Financial Information has been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that as at 31 December 2006 and 2007, Yield On had net current liabilities of approximately HK$903,000 and HK$5,235,000 respectively and net liabilities of approximately HK$903,000 and HK$5,235,000 respectively. The going concern basis has been adopted on the basis that (i) the immediate holding company of Yield On will continue to provide necessary financial support to meet Yield On's liabilities and commitments as and when they fall due; and (ii) the immediate holding company has undertaken not to demand repayment of its debt due from Yield On until such time when repayment will not affect Yield On's ability to repay other creditors in the normal course of business.

The Financial Information do not include any adjustments that would result from a failure of Yield On to operate as a going concern. Should Yield On be unable to continue in business as a going concern, adjustments would have to be made in the Financial Information to restate the values of the assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect of these potential adjustments has not been reflected in the Financial Information.

3.2 Foreign currencies translation

The Financial Information is presented in Hong Kong Dollars (HK$), which is also the functional currency of Yield On.

Foreign currency transactions are translated into its functional currency using the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.3 Revenue recognition

Revenue comprises the fair value for the sale of goods and net of rebates and discounts. Provided it is probable that the economic benefits will flow to Yield On and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

– Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

– Interest income is recognised on a time-proportion basis using the effective interest method.

3.4 Impairment of assets

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units that are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment had been recognised.

3.5 Accounting for income taxes

Income taxes comprise current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statements.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statements, or in equity if they relate to items that are charged or credited directly to equity.

3.6 Financial assets

Yield On's financial assets include trade and bills receivables, other receivables, amount due from a director and amount due from a fellow subsidiary.

All financial assets are recognised when, and only when, Yield On becomes a party to the contractual provisions of the instrument. Yield On's financial assets are recognised initially, and measured at fair value, plus, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet dates, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in income statements of the periods in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in income statement of the period in which the reversal occurs.

3.7 Financial liabilities

Yield On's financial liabilities include other payables, amount due to immediate holding company and amount due to a fellow subsidiary.

Financial liabilities are recognised when Yield On becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statements.

Financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

3.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

3.9 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

3.10 Provisions and contingent liabilities

Provisions are recognised when Yield On has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each balance sheet dates and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of Yield On are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.11 Related parties

A party is considered to be related to Yield On if:

(i) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, Yield On; (ii) has an interest in Yield On that gives it significant influence over Yield On; or (iii) has joint control over Yield On;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of Yield On or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of Yield On, or of any entity that is a related party of Yield On.

3.12 Segment reporting

Yield On is principally engaged in trading of aquatic products, which is the only business segment throughout the Relevant Periods. Accordingly, no analysis by business segment is provided. In respect of geographical segment reporting, revenue is based on the location in which the customer is located and total assets and capital expenditure are where the assets are located.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Yield On makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment and written off of receivables

Yield On's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of Yield On's debtors and the current market condition. When Yield On's management determines that there are indicators of significant financial difficulties of the debtors such as default or delinquency in payments, allowance for impairment is estimated. Yield On's management reassesses the estimations at the balance sheet dates.

When Yield On's management determines the debtors are uncollectible, they are written off against the allowance account for the debtors.

Impairment of assets (other than financial assets)

Yield On assesses whether there are any indicators of impairment for assts at each reporting dates. They are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

Provision for taxes

Yield On is subject to various tax in the jurisdictions it operates. Significant judgement is required in determining the amount of the provision for taxes and the timing of payment of related taxes. Yield On recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

5. REVENUE AND OTHE INCOME

Revenue, which is also Yield On's turnover, represents the net invoiced value of goods sold after allowances for returns and trade discounts.

An analysis of the Yield On's revenue and other income is as follows:

	Period from 26 April 2006 (date of incorporation) to 31 December 2006	Year ended 31 December 2007
	HK$'000	*HK$'000*
Revenue:		
Sales of goods	–	24,812
Other income:		
Interest income on financial assets stated at amortised cost	–	20
	–	24,832

6. SEGMENT INFORMATION

As over 90% of the turnover and the profit from operation of Yield On for the Relevant Periods are generated from trading of aquatic products, no further segment information by business activity has been presented.

Yield On has determined that geographical segment based on the location of customers is the primary reporting format. In determining Yield On's geographical segments, revenues and results are attributed based on the location of the customers, and assets are attributed to the segments based on the location of the assets. In the segment information below, Asia Pacific comprises customers in Thailand and Taiwan and The Americas comprises customers in the United States of America.

The following table presents revenue and loss information for each of Yield On's geographical segments:

	Year ended 31 December 2007		
	Asia Pacific	**The Americas**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Sales to external customers	11,096	13,716	24,812
Segment results	(1,867)	(2,307)	(4,174)
Other income			20
Administrative expenses			(178)
Loss before income tax			(4,332)
Income tax expense			–
Loss for the period			(4,332)
Other segment information:			
Segment assets:	3,556	3,972	7,528

Yield On was dormant during the period from 24 April 2006 (date of incorporation) to 31 December 2006. Accordingly, no segment analysis was presented.

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Period from 26 April 2006 (date of incorporation) to 31 December 2006	**Year ended 31 December 2007**
	HK$'000	*HK$'000*
Auditors' remuneration*	900	13
Cost of inventories recognised as expensed	–	28,726

* Audit fees of HK$887,000 in relation to the related companies were borne by Yield On during the period ended 31 December 2006.

No remuneration was paid to its directors by Yield On during the Relevant Periods.

8. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as Yield On did not generate any assessable profit in Hong Kong during the year (Period ended 31 December 2006: Nil).

Reconciliation between accounting loss and income tax expense at applicable tax rate is as follows:

	Period from 26 April 2006 (date of incorporation) to 31 December 2006	Year ended 31 December 2007
	HK$'000	*HK$'000*
Loss before income tax	(903)	(4,332)
Tax at applicable rate of 17.5%	(158)	(758)
Tax effect of non-taxable and non-deductible items, net	158	758
Income tax expense	–	–

No deferred tax has been provided as Yield On did not have any material temporary differences which gave rise to a deferred tax asset or liability at 31 December 2006 and 2007.

9. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDER OF YIELD ON

The calculation of basic loss per share is based on the loss for the Relevant Periods attributable to equity holder of Yield On, amounted to HK$903,000 and HK$4,332,000 for the period from 26 April 2006 (date of incorporation) to 31 December 2006 and year ended 31 December 2007 respectively, and on the weighted average of 11 ordinary shares in issue during the period from 26 April 2006 (date of incorporation) to 31 December 2006 and 100 ordinary shares in issue during the year ended 31 December 2007.

Diluted loss per share for the Relevant Periods have not been calculated as there is no dilutive potential ordinary share during the Relevant Periods.

10. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2006	**2007**
	HK$'000	*HK$'000*
Trade and bills receivables	–	5,208

An ageing analysis of Yield On's trade and bills receivables as at the balance sheet date is as follows:

	As at 31 December	
	2006	**2007**
	HK$'000	*HK$'000*
0 to 90 days	–	5,208

The majority of Yield On's sales are on credit. Yield On has a policy of allowing trade customers with credit normally ranged from 30 to 90 days. Overdue balances are reviewed regularly by management. The directors of Yield On are of the opinion that no allowance for impairment of trade and bills receivables is necessary as there was no recent history of default in respect of these trade debtors.

An ageing analysis of the Yield On's trade and bills receivables that are not considered to be impaired is as follows:

	As at 31 December	
	2006	**2007**
	HK$'000	*HK$'000*
Neither past due nor impaired	–	5,208

11. BALANCES WITH A DIRECTOR, FELLOW SUBSIDIARIES AND IMMEDIATE HOLDING COMPANY

The balances are unsecured, interest-free and repayable on demand. Subsequent to 31 December 2007, the balance due from a director, Mr. Li Geng ("Mr. Li"), has been assigned to and then capitalised by Prowealth pursuant to several deeds of assignment dated 27 May 2008.

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	As at 31 December	
	2006	**2007**
	HK$'000	*HK$'000*
Cash at bank and in hand	–	11,103

Cash at bank earns interest at floating rates based on daily bank deposit rates.

13. SHARE CAPITAL

	As at 31 December	
	2006	**2007**
	HK$'000	*HK$'000*
Authorised:		
10,000 ordinary shares of HK$1.00 each	10	10
Issued and fully paid:		
100 ordinary shares of HK$1.00 each	–	–

Yield On was incorporated with an authorised share capital of HK$10,000 which comprises 10,000 ordinary share of HK$1.00 each. On the date of incorporation, 1 ordinary share of HK$1.00 each was issued at par for cash. On 6 December 2006, the issued share capital of Yield On was increased from HK$1 to HK$100 by the issue of 99 ordinary shares of HK$1.00 each at par for cash.

14. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, Yield On had the following material related party transactions:

	Period from 26 April 2006 (date of incorporation) to 31 December 2006	Year ended 31 December 2007
	HK$'000	*HK$'000*
Purchases from fellow subsidiaries	–	18,667

Note: The amounts represented purchases from fellow subsidiaries, namely Hainan Jiadexin Foodstuff Co., Ltd and Maoming Changxing Foods Co., Ltd in which Mr. Li is a director and equity holder during the Relevant Periods. The purchases were made with reference to the terms negotiated between both parties.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Yield On does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage Yield On's exposure to market risk (including principally changes in interest rates and currency exchange rates), credit risk and liquidity risk. Generally, Yield On employs a conservative strategy regarding its risk management. As the directors of Yield On considers that Yield On's exposure to market risk is kept at a minimum level, Yield On has not used any derivatives or other instruments for hedging purposes. Yield On does not hold or issue derivative financial instruments for trading purposes.

i) Credit risk

The maximum credit risk exposure of the financial assets is their carrying amounts as summarised in note (vi) below.

Yield On has credit risk exposure because Yield On has concentration of credit risk arising from its ordinary course of business due to its relatively small customer base.

There is no requirement for collateral by Yield On.

ii) Foreign currency risk

Yield On's exposure to market risk for changes in foreign currency exchange rates relates primarily to the financial assets and liabilities denominated in currencies other than the functional currency of Yield On. The currencies giving rise to this risk are primarily United States dollars ("USD") and Renminbi ("RMB"). The following table details Yield On's exposure at the balance sheet date to currency risk arising from recognised financial assets or liabilities denominated in a currency other than the functional currency of Yield On:

	As at 31 December 2007	
	RMB'000	*USD'000*
Trade and bills receivables	–	669
Amount due from fellow subsidiaries	–	5,174
Cash and cash equivalents	–	1,408
Current financial assets	–	7,251
Amount due to immediate holding company	–	(7,700)
Amount due to a fellow subsidiary	(3,954)	–
Current financial liabilities	(3,954)	(7,700)
Current net exposures	(3,954)	(449)

The sensitivity analysis has been determined assuming that the reasonably possible change in foreign exchange rate had occurred at the balance sheet date and had been applied to Yield On's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The assumed changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date with reference to the historical trend of HKD against RMB and USD. A 5% strengthening/(weakening) of HKD against RMB and USD at the balance sheet date would increase/(decrease) Yield On's profit after tax and retained earnings by the amount shown below. Changes in foreign exchange rates have no impact on Yield On's other components of equity.

	Year ended 31 December 2007 Profit/(Loss) *HKD'000*
RMB	211/(211)
USD	175/(175)
Total	386/(386)

No sensitivity analysis was presented for the period ended 31 December 2006 as Yield On's financial liabilities as at 31 December 2006 are denominated in HKD.

iii) Interest rate risk

Yield On's exposure to interest rate risk mainly arises on bank deposits but the exposure is not significant. Yield On has not used any derivative contracts to hedge its exposure to interest rate risk or formulated a policy to manage the interest rate risk.

Sensitivity of Yield On's loss after tax and accumulated losses to a reasonably possible change in the interest rate until the next annual balance sheet date is assessed to be immaterial. Changes in interest rates have no impact on other components of equity.

iv) Fair value

The fair values of Yield On's current financial assets and liabilities are not materially different from their carrying amounts because of their immediate or short term maturity.

v) Liquidity risk

Yield On monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Yield On's operations and mitigate the effects of fluctuations in cash flows. Yield On relies on internally generated funding and financial support from immediate holding company as significant sources of liquidity. The maturity profile of Yield On's financial liabilities as at the balance sheet dates, based on the contracted undiscounted payments, were as follows:

	As at 31 December 2007			
	On demand	**Less than 3 months**	**3 to less than 12 months**	**Total**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Other payables	–	419	–	419
Due to immediate holding company	59,906	–	–	59,906
Due to a fellow subsidiary	2,802	–	–	2,802
	62,708	419	–	63,127

	As at 31 December 2006			
	On demand	**Less than 3 months**	**3 to less than 12 months**	**Total**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Other payables	3	–	–	3

At 31 December 2006, Yield On had net current liabilities and net liabilities of approximately HK$903,000. At 31 December 2007, Yield On had net current liabilities and net liabilities of approximately HK$5,235,000. As detailed in note 3.1, the liquidity of Yield On is primarily dependent on its ability to maintain adequate cash inflow from operation to meet its debt obligations and to obtain financial support from its immediately holding company.

vi) Summary of financial assets and liabilities by category

The carrying amounts of Yield On's financial assets and liabilities as recognised at the balance sheet dates are also analysed into the following categories. See notes 3.6 and 3.7 for explanations about how the category of financial instruments affects their subsequent measurement.

	As at 31 December	
	2006	**2007**
	HKD'000	*HKD'000*
Financial assets		
Loan and receivables		
– Trade and bills receivables	–	5,208
– Amount due a director	–	511
– Amount due from a fellow subsidiary	–	38,830
	–	44,549
Cash and cash equivalents	–	11,103
	–	55,652

	As at 31 December	
	2006	**2007**
	HKD'000	*HKD'000*
Financial liabilities		
Financial liabilities measured at amortised cost		
– Other payables	3	–
– Due to immediate holding company	–	59,906
– Due to a fellow subsidiary	–	2,802
	3	62,708

16. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

Yield On's primary objectives when managing capital are to safeguard Yield On's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

Yield On manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure, Yield On may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debts.

Management regards total equity as capital, for capital management purpose. The amount of capital as at 31 December 2006 and 2007 represented by net liabilities of approximately HK$903,000 and HK$5,235,000 respectively, which management considers the current capital component as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

17. POST BALANCE SHEET EVENT

In addition to those disclosed elsewhere, Yield On had the following material post balance sheet events:

On 21 February 2008, Prowealth entered into a subscription agreement with Sun Boom Limited (the "Bond Holder") in respect of issuance of US$10 million secured convertible bond (the "Convertible Bond") to the Bond Holder. Mr. Cheng Wyman, Paul, a director of Yield On, is also a director of Sun Boom Limited.

The Convertible Bond is secured by the following securities given by Yield On and its directors:

a) joint and several guarantee by Mr. Li and a director of Prowealth;

b) security deeds over shares in Prowealth and Prowealth's subsidiaries, including Yield On;

c) subordination deed executed by Mr. Li, Prowealth and a fellow subsidiary of Yield On; and

d) debenture by Yield On to charge and assign all its assets and undertaking.

The Convertible Bond is also secured by other securities given by Prowealth and its subsidiaries.

Pursuant to a settlement agreement dated 27 May 2008, the subscription price of the Convertible Bond is reduced to US$7.7 million and is settled by set-off of Prowealth's promissory notes amounted to US$7.7 million. The remaining balance of US$2.3 million has been waived by the Bond Holder and Prowealth. Partial of the Convertible Bond in the amount of US$4,620,462 were converted into 1,666 ordinary shares of Prowealth of US$1.00 each.

18. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Yield On in respect of any period subsequent to 31 December 2007.

Yours faithfully,

Grant Thornton
Certified Public Accountants

13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Management discussion and analysis of Yield On

For the year ended 31 December 2007

Business and financial review

Turnover of Yield On for the year ended 31 December 2007 was approximately HK$24,812,000, compared with nil for the period from 26 April 2006 (date of incorporation) to 31 December 2006 as Yield On has commenced business in 2007. During the year ended 2007, Yield On recorded a loss of HK$4,332,000 compared with the loss of HK$903,000 for the period from 26 April 2006 (date of incorporation) to 31 December 2006. Such loss is mainly attributable from the gross loss of HK$3,914,000 for the year ended 31 December 2007.

Liquidity and financial resources

As at 31 December 2007, the capital deficiency of Yield On was approximately HK$5,235,000 (2006: HK$903,000). Total borrowings as at 31 December 2007 was approximately HK$62,708,000 (2006: nil). Yield On will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure when necessary. The cash and bank balances comprise cash and bank deposits of HK$11,103,000 (2006: nil). As at 31 December 2007, Yield On has total assets of HK$57,972,000 compared to nil as at 31 December 2006. Yield On's gearing ratio has not been computed as it was a capital deficiency.

Significant investments and material acquisitions and disposals of subsidiaries

Yield On did not have any significant investments as at 31 December 2007. Yield On did not have any material acquisitions and disposal of subsidiaries or affiliated companies for the year ended 31 December 2007. Yield On did not have any plans for material investments or capital assets in the coming year.

Finance costs

Yield On has not incurred any finance costs during the year ended 31 December 2007 (2006: nil)

Charges over assets

At 31 December 2007, Yield On had not pledged any assets to banks or financial institutions.

Capital structure

The capital structure of the Yield On consists of a capital deficiency, comprising of accumulated losses.

Contingent liabilities

Yield On has no contingent liabilities as at 31 December 2007.

Employees and remuneration

During the year ended 31 December 2007, Yield On employed nil full time management, administrative and production staff in Hong Kong.

For the period from 26 April 2006 (date of incorporation) to 31 December 2006

Yield On has not commenced its operations for the period from 26 April (date of incorporation) to 31 December 2006.

(3) FINANCIAL INFORMATION OF HAINAN JIADEXIN FOODSTUFF CO., LTD

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30 June 2008

The Board of Directors
Fulbond Holdings Limited
2805, 28th Floor
The Center
99 Queen's Road Central
Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of 海南佳德信食品有限公司 (Hainan Jiadexin Foodstuff Co., Ltd) ("Hainan Jiadexin"), in Sections I and II below, including the balance sheets as at 31 December 2005, 2006 and 2007, income statements, cash flow statements and statements of changes in equity for each of the three years ended 31 December 2005, 2006 and 2007 (the "Relevant Periods") and the notes thereto, prepared for inclusion in the circular (the "Circular") dated 30 June 2008 issued by Fulbond Holdings Limited (the "Company") in connection with the proposed acquisition of not less than 80% of the entire enlarged issued share capital of Prowealth Holdings Group Limited ("Prowealth").

Hainan Jiadexin is a sino-foreign enterprise with limited liability established in the People's Republic of China (the "PRC") on 3 December 2002 with a registered capital of RMB 5,000,000. On 25 December 2006, Hainan Jiadexin was reconstituted into a wholly-foreign owned enterprise with limited liability established in the PRC. As at the date of this report, H.K. Zhuoyue Investment Limited is regarded as the immediate holding company of Hainan Jiadexin and Pride Joy Holdings Limited is regarded as the intermediate holding company of Hainan Jiadexin, and Prowealth indirectly holds the entire equity interest in Hainan Jiadexin through these two holding companies. The registered address and its principal place of business is No. 1, Jiadexin Road, Jiandong New Downtown, Haikou City, Hainan Province, China. The principal activity of Hainan Jiadexin is manufacturing and trading of aquatic products.

The financial statements of Hainan Jiadexin for the Relevant Periods were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the PRC and were audited by 海南海昌會計師事務所 (Hainan Haichang Accounting Firm)*.

For the purpose of this report, the directors of Hainan Jiadexin have prepared the financial statements of Hainan Jiadexin for the Relevant Periods (the "Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have, for the purpose of this report, performed appropriate audit procedures in respect of the Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information for the Relevant Periods as set out in this report has been prepared by the directors of Hainan Jiadexin based on the Financial Statements or, where appropriate, unaudited management accounts of Hainan Jiadexin, after making such adjustments as are appropriate. For the purpose of this report, we have examined the Financial Information and carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of Hainan Jiadexin are responsible for the preparation of the Financial Statements and the Financial Information which give a true and fair view. The directors of the Company are responsible for the contents of the Circular in which this report is included. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Hainan Jiadexin as at 31 December 2005, 2006 and 2007 and of the results and cash flows of Hainan Jiadexin for each of the Relevant Periods.

* *For identification purpose only*

I. FINANCIAL INFORMATION

A. INCOME STATEMENTS

		Year ended 31 December		
		2005	**2006**	**2007**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*5*	79,598	106,750	97,222
Cost of sales		(73,159)	(95,928)	(87,390)
Gross profit		6,439	10,822	9,832
Other income	*5*	371	1,391	3,431
Selling and distribution expenses		(1,937)	(1,448)	(1,280)
Administrative expenses		(2,746)	(2,830)	(4,135)
Profit from operation	*7*	2,127	7,935	7,848
Finance costs	*8*	(1,305)	(1,050)	(1,765)
Profit before income tax		822	6,885	6,083
Income tax expense	*9*	–	–	–
Profit for the year		822	6,885	6,083

B. BALANCE SHEETS

	Notes	2005 RMB'000	2006 RMB'000	2007 RMB'000
		As at 31 December		
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	*10*	20,235	19,763	19,235
Prepaid land lease payments	*11*	2,570	2,517	2,464
Deposits for acquisition of property, plant and equipment		136	140	209
		22,941	22,420	21,908
Current assets				
Inventories	*12*	18,733	19,836	36,533
Trade and bills receivables	*13*	6,354	11,644	41,559
Prepayments, deposits and other receivables		4,048	12,867	5,333
Amounts due from related companies	*14*	1,696	9,258	4,763
Amount due from an equity holder	*14*	–	500	–
Cash and cash equivalents	*15*	471	557	1,102
		31,302	54,662	89,290
Current liabilities				
Trade payables	*16*	2,574	1,047	710
Accrued liabilities and other payables		13,960	16,292	10,216
Amount due to a related company	*14*	–	14,500	–
Amounts due to directors	*14*	13,919	8,167	2,450
Amount due to immediate holding company	*14*	20	20	20
Amounts due to fellow subsidiaries	*14*	–	–	39,378
Borrowings	*17*	18,599	25,000	40,285
		49,072	65,026	93,059
Net current liabilities		(17,770)	(10,364)	(3,769)
Net assets		5,171	12,056	18,139
EQUITY				
Equity attributable to equity holders of Hainan Jiadexin				
Paid in capital	*18*	5,000	5,000	5,000
Reserves	*19*	171	7,056	13,139
Total equity		5,171	12,056	18,139

C. STATEMENTS OF CHANGES IN EQUITY

	Paid in capital	**Statutory reserves** *(note 19)*	**(Accumulated losses)/ retained earnings**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2005	5,000	–	(651)	4,349
Profit for the year	–	–	822	822
Total recognised income and expense for the year	–	–	822	822
At 31 December 2005 and at 1 January 2006	5,000	–	171	5,171
Profit for the year	–	–	6,885	6,885
Total recognised income and expense for the year	–	–	6,885	6,885
Transfer to statutory reserves	–	1,060	(1,060)	–
At 31 December 2006 and at 1 January 2007	5,000	1,060	5,996	12,056
Profit for the year	–	–	6,083	6,083
Total recognised income and expense for the year	–	–	6,083	6,083
Transfer to statutory reserves	–	619	(619)	–
At 31 December 2007	5,000	1,679	11,460	18,139

D. CASH FLOW STATEMENTS

		Year ended 31 December		
		2005	2006	2007
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Profit before income tax		822	6,885	6,083
Adjustments for:				
Finance costs	*8*	1,305	1,050	1,765
Interest income	*5*	(51)	(9)	(78)
Depreciation	*7*	733	1,741	1,850
Amortisation of land use rights	*7*	53	53	53
Loss on disposal of property, plant and equipment	*7*	–	61	–
Operating profit before working capital changes		2,862	9,781	9,673
Increase in inventories		(6,544)	(1,103)	(16,697)
Decrease/(increase) in trade and bills receivables		663	(5,290)	(29,915)
Decrease/(increase) in prepayments, deposits and other receivables		2,159	(8,819)	7,534
Increase/(decrease) in trade payables		1,432	(1,527)	(337)
Increase/(decrease) in accrued liabilities and other payables		4,404	2,332	(6,076)
Cash generated from/(used in) operations		4,976	(4,626)	(35,818)
Interest paid on bank borrowings		(1,305)	(1,050)	(1,765)
Net cash generated from/(used in) operating activities		3,671	(5,676)	(37,583)
Cash flows from investing activities				
Interest received		51	9	78
Deposits paid		(136)	(140)	(209)
Proceeds from disposal of property, plant and equipment		–	78	–
Purchase of property, plant and equipment		(9,020)	(1,272)	(1,182)
Net cash used in investing activities		(9,105)	(1,325)	(1,313)

		Year ended 31 December		
		2005	**2006**	**2007**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from financing activities				
Advance to related companies		(1,746)	(8,601)	(14,500)
Repayment from related companies		50	15,539	4,495
(Advance to)/repayment from an equity holder		–	(500)	500
Repayment to directors		(10,650)	(16,271)	(9,045)
Advance from directors		22,605	10,519	3,328
Repayment to fellow subsidiaries		–	–	(22,381)
Advance from fellow subsidiaries		–	–	61,759
Drawdown of borrowings		18,599	25,000	43,551
Repayment of borrowings		(26,750)	(18,599)	(28,266)
Net cash generated from financing activities		2,108	7,087	39,441
Net (decrease)/increase in cash and cash equivalents		(3,326)	86	545
Cash and cash equivalents at beginning of year		3,797	471	557
Cash and cash equivalents at end of year		471	557	1,102
Analysis of balances of cash and cash equivalents				
Cash and bank balances	*15*	471	557	1,102

II. NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION

The Financial Information set out in this report has been prepared in accordance with HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and have been consistently applied throughout the Relevant Periods.

2. ADOPTION OF NEW OR AMENDED HKFRSs

For the purpose of preparing and presenting the Financial Information, Hainan Jiadexin has adopted all the new and amended HKFRSs that are effective for the Relevant Periods, and have been adopted as at the beginning of the Relevant Periods.

New or amended HKFRSs that have been issued but are not yet effective:

Hainan Jiadexin has not early adopted the following standards and interpretation that have been issued but are not yet effective for the Relevant Periods. The directors of Hainan Jiadexin anticipate that the adoption of such standards and interpretation will not result in material financial impact on the Financial Information for the Relevant Periods.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
Amendments to HKAS 1 (Revised)	Presentation of Financial Statements – Puttable financial instruments and obligations arising on liquidation[1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
Amendments to HKAS 32	Financial Instruments: Presentation – Puttable financial instruments and obligations arising on liquidation[1]
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement – Puttable financial instruments and obligations arising on liquidation[1]
Amendments to HKFRS 2	Share-based Payment – Vesting conditions and cancellations [1]
HKFRS 3 (Revised)	Business Combinations – Comprehensive revision on applying the acquisition method [2]
Amendments to HKFRS 7	Financial Instruments: Disclosures – Puttable financial instruments and obligations arising on liquidation[1]
HKFRS 8	Operating Segments [1]
Amendments to HK(IFRIC) – Int 2	Members' Shares in Co-operative Entities and Similar Instruments [1]
HK(IFRIC) – Int 11	Group and Treasury Share Transactions[5]
HK(IFRIC) – Int 12	Service Concession Arrangements [3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes [4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009

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

3 Effective for annual periods beginning on or after 1 January 2008

4 Effective for annual periods beginning on or after 1 July 2008

5 Effective for annual periods beginning on or after 1 March 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been adopted in the preparation of the Financial Information are summarised below. These policies have been consistently applied to all the periods presented unless otherwise stated.

The Financial Information has been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4.

The Financial Information has been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that Hainan Jiadexin had net current liabilities of approximately RMB 17,770,000, RMB 10,364,000 and RMB 3,769,000 as at 31 December 2005, 2006 and 2007 respectively. The going concern basis has been adopted on the basis that (i) Prowealth will continue to provide necessary financial support to meet Hainan Jiadexin's liabilities and commitments as and when they fall due; and (ii) the fellow subsidiaries and directors have undertaken not to demand repayment of their debts due from Hainan Jiadexin until such time when repayment will not affect Hainan Jiadexin's ability to repay other creditors in the normal course of business.

The Financial Information do not include any adjustments that would result from a failure of Hainan Jiadexin to operate as a going concern. Should Hainan Jiadexin be unable to continue in business as a going concern, adjustments would have to be made in the Financial Information to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these potential adjustments has not been reflected in the Financial Information.

3.2 Foreign currencies translation

The Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of Hainan Jiadexin.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet retranslation of monetary assets and liabilities are recognised in the income statement. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.3 Revenue recognition

Revenue comprises the fair value for the sale of goods and net of rebates and discounts. Provided it is probable that the economic benefits will flow to Hainan Jiadexin and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

– Interest income is recognised on a time-proportion basis using the effective interest method.

3.4 Borrowing costs

All borrowing costs are expensed as incurred.

3.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Hainan Jiadexin and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on the following property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Leasehold buildings	20 years
Machinery	10 years
Office equipment	5 years
Motor vehicles	5 years

The assets' residual value, useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction in progress represents leasehold buildings under construction and is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3.6 Prepaid land lease payments

Prepaid land lease payments represented up-front payments to acquire the land use rights/leasehold land. They are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight line basis over the lease term except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

3.7 Impairment of assets

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units that are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment had been recognised.

3.8 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average cost and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

3.9 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.10 Financial assets

Hainan Jiadexin's financial assets include trade and bills receivables, other receivables, amounts due from related companies and amount due from an equity holder.

All financial assets are recognised when, and only when, Hainan Jiadexin becomes a party to the contractual provisions of the instrument. Hainan Jiadexin financial assets are recognised initially, and measured at fair value, plus, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in income statement of the period in which the reversal occurs.

3.11 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand.

3.12 Paid in capital

Paid in capital paid is classified as equity. This is determined using the proceeds from capital contributions made by the equity holders.

3.13 Retirement benefits scheme

The employees of Hainan Jiadexin are required to participate in a central pension scheme operated by the local municipal government. Hainan Jiadexin is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

3.14 Financial liabilities

Hainan Jiadexin's financial liabilities include trade payables, other payables, amounts due to directors, amount due to a related company, amount due to immediate holding company, amounts due to fellow subsidiaries and borrowings.

Financial liabilities are recognised when Hainan Jiadexin becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statements.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless Hainan Jiadexin has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Other financial liabilities (including trade and other payables)

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.15 Provisions and contingent liabilities

Provisions are recognised when Hainan Jiadexin has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of Hainan Jiadexin are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.16 Related parties

A party is considered to be related to Hainan Jiadexin if:

(i) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, Hainan Jiadexin; (ii) has an interest in Hainan Jiadexin that gives it significant influence over Hainan Jiadexin; or (iii) has joint control over Hainan Jiadexin;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of Hainan Jiadexin or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of Hainan Jiadexin, or of any entity that is a related party of Hainan Jiadexin.

3.17 Operating leases

Leases which do not transfer substantially all the risks and rewards of ownership to Hainan Jiadexin are classified as operating leases.

Where Hainan Jiadexin has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the period in which they are incurred.

3.18 Segment reporting

Hainan Jiadexin is principally engaged in manufacturing and sales of aquatic products, which is the only business segment of Hainan Jiadexin throughout the Relevant Periods. Accordingly, no analysis by business segment is provided. In respect of geographical segment reporting, revenue is based on the location in which the customer is located and total assets and capital expenditure are where the assets are located.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Hainan Jiadexin makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Depreciation and amortisation

Hainan Jiadexin depreciates the property, plant and equipment and amortises prepaid land lease payments in accordance with the accounting policies stated in notes 3.5 and 3.6 respectively. The estimated useful lives reflect the directors' estimate of the periods that Hainan Jiadexin intends to derive future economic benefits from the use of these assets.

Impairment and written off of receivables

Hainan Jiadexin's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of Hainan Jiadexin's debtors and the current market condition. When Hainan Jiadexin's management determines that there are indicators of significant financial difficulties of the debtors such as default or delinquency in payments, allowance for impairment is estimated. Hainan Jiadexin's management reassesses the estimations at the balance sheet date.

When Hainan Jiadexin's management determines the debtors are uncollectible, they are written off against the allowance account for the debtors.

Net realisable value of inventories

These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the balance sheet date.

Impairment of assets (other than financial assets and goodwill)

Hainan Jiadexin assesses whether there are any indicators of impairment for assets at each reporting date. They are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

Provision for taxes

Hainan Jiadexin is mainly subject to various taxes in the PRC including corporate income tax. Significant judgement is required in determining the amount of the provision for taxes and the timing of payment of related taxes. Hainan Jiadexin recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

5. REVENUE AND OTHER INCOME

Revenue, which is also Hainan Jiadexin's turnover, represents the net invoiced value of goods sold after allowances for returns and trade discounts.

An analysis of Hainan Jiadexin's revenue and other income is as follows:

	Year ended 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Revenue:			
Sales of goods	79,598	106,750	97,222
Other income:			
Interest income on financial assets stated at amortised cost	51	9	78
Sales of by-products and miscellaneous	320	1,382	3,353
	371	1,391	3,431

6. SEGMENT INFORMATION

As over 90% of the turnover and the profit from operating activities of Hainan Jiadexin for the Relevant Periods are generated from the manufacturing and sales of aquatic products, no further segment information by business activity has been presented.

Hainan Jiadexin has determined that geographical segment based on the location of customers is the primary reporting format. In determining Hainan Jiadexin's geographical segments, revenues and results are attributed based on the location of the customers. Over 90% of Hainan Jiadexin's assets are located in Asia Pacific. In the segment information below, Asia Pacific comprises customers in Korea, Australia, Taiwan, Thailand, the PRC, The America comprises customers in the United States of America and Europe comprises customers in France and Russia.

The following table presents revenue and profit information for each of Hainan Jiadexin's geographical segments for the years ended 31 December 2005, 2006 and 2007:

	Year ended 31 December 2005			
	Asia Pacific	The Americas	Europe	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:				
Sales to external customers	34,711	44,887	–	79,598
Other income – Sales of by-product	63	–	–	63
Total	34,774	44,887	–	79,661
Segment results	2,026	2,539	–	4,565
Other income				308
Administrative expenses				(2,746)
Profit from operation				2,127
Finance costs				(1,305)
Profit before income tax				822
Income tax expense				–
Profit for the year				822

	Year ended 31 December 2006			
	Asia Pacific	The Americas	Europe	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:				
Sales to external customers	55,851	49,194	1,705	106,750
Other Income – Sales of by-product	1,371	–	–	1,371
Total	57,222	49,194	1,705	108,121
Segment results	6,275	4,320	150	10,745
Other income				20
Administrative expenses				(2,830)
Profit from operation				7,935
Finance costs				(1,050)
Profit before income tax				6,885
Income tax expense				–
Profit for the year				6,885

	Year ended 31 December 2007			
	Asia Pacific	The Americas	Europe	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:				
Sales to external customers	76,608	6,619	13,995	97,222
Other Income – Sales of by-product	1,719	–	–	1,719
	78,327	6,619	13,995	98,941
Segment results	8,458	582	1,231	10,271
Other income				1,712
Administrative expenses				(4,135)
Profit before income tax				7,848
Finance costs				(1,765)
Profit before income tax				6,083
Income tax expense				–
Profit for the year				6,083

7. PROFIT FROM OPERATION

Profit from operation is arrived at after charging:

	Year ended 31 December		
	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*
Auditors' remuneration	2	3	6
Cost of inventories recognised as expense	73,159	95,928	87,390
Amortisation of prepaid land lease payments	53	53	53
Depreciation of property, plant and equipment	733	1,741	1,850
Minimum lease payments under operating leases for leasehold buildings	–	–	3,321
Loss on disposal of property, plant and equipment	–	61	–
Net foreign exchange loss	826	1,221	2,143
Staff costs (including directors' remuneration – *note 21*)			
– Salaries and wages	4,017	5,413	4,856
– Retirement scheme contribution	308	505	532
	4,325	5,918	5,388

8. FINANCE COSTS

	Year ended 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Interest expense on financial liabilities stated at amortised cost	1,305	1,050	1,765

9. INCOME TAX EXPENSE

In accordance with various PRC statutory approval documents, Hainan Jiadexin was exempted from income tax commencing 1 January 2006 for the first two profit-making years and a 50% reduction in the income tax for the next three calendar years ("Tax Holiday").

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25% and will be effective from 1 January 2008. Subsequent to 16 March 2007, the implementation measure on transitional policy of preferential tax rate is announced and Hainan Jiadexin's entitlement to the Tax Holiday is still applicable. Upon expiry of the Tax Holiday, the new PRC corporate income tax rate of 25% is applicable to Hainan Jiadexin.

Reconciliation between accounting profit and income tax expense at applicable tax rate is as follows:

	Year ended 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	822	6,885	6,083
Tax at applicable rate of 15%	123	1,033	912
Utilisation of tax losses not previously recognised	(123)	–	–
Tax concession	–	(1,033)	(912)
Income tax expense	–	–	–

10. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress *RMB'000*	Leasehold buildings *RMB'000*	Machinery *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
At 1 January 2005						
Cost	5,672	237	6,185	236	–	12,330
Accumulated depreciation	–	(5)	(549)	(55)	–	(609)
Net carrying amount	**5,672**	**232**	**5,636**	**181**	**–**	**11,721**
Year ended 31 December 2005						
Opening net carrying amount	5,672	232	5,636	181	–	11,721
Additions	3,436	–	5,765	46	–	9,247
Transfer in/(out)	(9,086)	9,086	–	–	–	–
Depreciation	–	(23)	(661)	(49)	–	(733)
Closing net carrying amount	**22**	**9,295**	**10,740**	**178**	**–**	**20,235**
At 31 December 2005						
Cost	22	9,323	11,950	282	–	21,577
Accumulated depreciation	–	(28)	(1,210)	(104)	–	(1,342)
Net carrying amount	**22**	**9,295**	**10,740**	**178**	**–**	**20,235**
Year ended 31 December 2006						
Opening net carrying amount	22	9,295	10,740	178	–	20,235
Additions	–	292	764	5	347	1,408
Disposal	–	–	(139)	–	–	(139)
Transfer in/(out)	(22)	22	–	–	–	–
Depreciation	–	(458)	(1,227)	(56)	–	(1,741)
Closing net carrying amount	**–**	**9,151**	**10,138**	**127**	**347**	**19,763**
At 31 December 2006						
Cost	–	9,637	12,514	287	347	22,785
Accumulated depreciation	–	(486)	(2,376)	(160)	–	(3,022)
Net carrying amount	**–**	**9,151**	**10,138**	**127**	**347**	**19,763**
Year ended 31 December 2007						
Opening net carrying amount	–	9,151	10,138	127	347	19,763
Additions	46	–	1,056	20	200	1,322
Depreciation	–	(472)	(1,277)	(59)	(42)	(1,850)
Closing net carrying amount	**46**	**8,679**	**9,917**	**88**	**505**	**19,235**
At 31 December 2007						
Cost	46	9,637	13,570	307	547	24,107
Accumulated depreciation	–	(958)	(3,653)	(219)	(42)	(4,872)
Net carrying amount	**46**	**8,679**	**9,917**	**88**	**505**	**19,235**

Notes:

(a) Hainan Jiadexin's leasehold buildings are on land held under medium term leases in the PRC.

(b) Hainan Jiadexin was in the process of obtaining certain building ownership certificates for its leasehold buildings as at 31 December 2005, 2006 and 2007. These leasehold buildings are erected for land which relevant land use right certificates have been obtained by Hainan Jiadexin as detailed in note 11.

(c) As at 31 December 2007, Hainan Jiadexin's leasehold buildings at the net carrying amount of approximately RMB 8,679,000 (2006: RMB 9,151,000) and machinery at the net carrying amount of approximately RMB 7,434,000 (2006: RMB 8,479,000) respectively were pledged to secure bank borrowings granted to Hainan Jiadexin *(note 17)*.

11. PREPAID LAND LEASE PAYMENTS

	RMB'000
At 1 January 2005	
Cost	2,650
Accumulated amortisation	(27)
Net carrying amount	**2,623**
Year ended 31 December 2005	
Opening net carrying amount	2,623
Amortisation	(53)
Closing net carrying amount	**2,570**
At 31 December 2005	
Cost	2,650
Accumulated amortisation	(80)
Net carrying amount	**2,570**
Year ended 31 December 2006	
Opening net carrying amount	2,570
Amortisation	(53)
Closing net carrying amount	**2,517**
At 31 December 2006	
Cost	2,650
Accumulated amortisation	(133)
Net carrying amount	**2,517**

	RMB'000
Year ended 31 December 2007	
Opening net carrying amount	2,517
Amortisation	(53)
Closing net carrying amount	**2,464**
At 31 December 2007	
Cost	2,650
Accumulated amortisation	(186)
Net carrying amount	**2,464**

Notes:

(a) Hainan Jiadexin's land use rights are held under medium term leases in the PRC.

(b) As at 31 December 2005, 2006 and 2007, Hainan Jiadexin was in the process of obtaining the land use right certificates for its leasehold land with an aggregate net carrying amount of approximately RMB 548,000, RMB 537,000 and RMB 118,000 respectively.

(c) As at 31 December 2006 and 2007, Hainan Jiadexin's land use rights at the net carrying amount of approximately RMB 2,517,000 and RMB 2,464,000 respectively were pledged to secure bank borrowings granted to Hainan Jiadexin *(note 17)*.

12. INVENTORIES

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	449	414	552
Work in progress	5,186	167	22,911
Finished goods	13,098	19,255	13,070
	18,733	19,836	36,533

13. TRADE AND BILLS RECEIVABLES

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables	6,354	11,644	41,599

An ageing analysis of Hainan Jiadexin's trade and bills receivables as at the balance sheet date is as follows:

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
0 to 90 days	5,808	10,698	39,779
91 – 180 days	546	129	1,492
181 – 365 days	–	817	288
	6,354	11,644	41,559

At 31 December 2005, 2006 and 2007, trade receivables amounted to US$81,862 (equivalent to approximately RMB 661,621), nil and US$55,440 (equivalent to approximately RMB 405,000) were pledged to secure bank borrowings granted to Hainan Jiadexin *(note 17)*.

The majority of Hainan Jiadexin's sales are on credit. Hainan Jiadexin has a policy of allowing trade customers with credit normally ranged from 30 to 90 days. Overdue balances are reviewed regularly by management. The directors of Hainan Jiadexin are of the opinion that no allowance for impairment of trade and bills receivables is necessary as there was no recent history of default in respect of these trade debtors.

An ageing analysis of Hainan Jiadexin's trade receivables that are not considered to be impaired is as follows:

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Neither past due nor impaired	5,808	10,698	39,779
Less than 6 months past due	546	129	1,492
6 to 12 months past due	–	817	288
	6,354	11,644	41,559

14. BALANCES WITH RELATED COMPANIES, IMMEDIATE HOLDING COMPANY, DIRECTORS, AN EQUITY HOLDER AND FELLOW SUBSIDIARIES

The balances are unsecured, interest-free and repayable on demand.

15. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and in hand	471	557	1,102

Cash at bank earn interest at floating rates based on daily deposit rates.

Hainan Jiadexin had cash and bank balances denominated in RMB amounting to approximately RMB 467,000, RMB 553,000 and RMB 479,000 as at 31 December 2005, 2006 and 2007 respectively, which were deposited with banks in the PRC and held in hand. The RMB is not freely convertible into foreign currencies.

Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, Hainan Jiadexin is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

16. TRADE PAYABLES

The ageing analysis of Hainan Jiadexin's trade payables as at the balance sheet is as follows:

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
0 to 90 days	2,414	450	697
91 – 180 days	128	597	13
Over 180 days	32	–	–
	2,574	1,047	710

17. BORROWINGS

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans (secured)	18,599	25,000	40,285

The bank loans of approximately RMB 18,000,000, RMB 25,000,000 and RMB 39,980,000 as at 31 December 2005, 2006 and 2007 respectively were secured by i) Hainan Jiadexin's property, plant and equipment and prepaid land lease payments as detailed in notes 10 and 11 respectively; ii) personal guarantees provided by Mr. Li Geng ("Mr. Li"), Hainan Jiadexin's director. The bank loans of Hainan Jiadexin bear fixed interest rate ranged from 6.12% to 7.29% per annum.

The remaining balance of bank loans of approximately RMB 599,000, Nil and RMB 305,000 as at 31 December 2005, 2006 and 2007 respectively bears interest at floating rate. The amount was guaranteed by Mr. Li and secured by Hainan Jiadexin's trade receivables as detailed in note 13. The loan balance was fully settled subsequent to 31 December 2007.

18. PAID IN CAPITAL

Hainan Jiadexin was established in the PRC on 3 December 2002 with a registered capital of RMB 5,000,000. Pursuant to the PRC statutory approval on 23 March 2007, the registered capital of Hainan Jiadexin was increased from RMB 5,000,000 to RMB 20,000,000. As at the date of this report, the incremental registered capital has not been paid up.

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Registered capital	5,000	5,000	20,000
Paid up capital	5,000	5,000	5,000

19. RESERVES

The amounts of Hainan Jiadexin's reserves and the movements therein during the Relevant Periods are presented in the statements of changes in equity on page II-67.

In accordance with the relevant PRC regulations, Hainan Jiadexin is required to appropriate not less than 10% of its profits after tax to the statutory reserves, until balances of the fund reach 50% of the registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to offset against their accumulated losses, if any.

20. NOTES TO THE CASH FLOW STATEMENTS

Major non-cash transactions

In addition to those disclosed elsewhere in the Financial Information, Hainan Jiadexin had the following significant non-cash transactions:

During the years ended 31 December 2005, 2006 and 2007, deposits of RMB 227,000, RMB 136,000 and RMB 140,000 paid in prior year for the acquisition of property, plant and equipment were capitalised as property, plant and equipment.

21. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to the directors were as follows:

	Fees	Salaries, allowance and other benefits	Retirement scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2005				
Li Geng	–	–	–	–
Huang Xiong	–	22	4	26
Huang Yu Wei	–	–	–	–
	–	22	4	26
Year ended 31 December 2006				
Li Geng	–	14	2	16
Huang Xiong	–	23	4	27
Huang Yu Wei	–	–	–	–
	–	37	6	43
Year ended 31 December 2007				
Li Geng	–	16	2	18
Huang Xiong	–	27	5	32
Huang Yu Wei	–	–	–	–
	–	43	7	50

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in Hainan Jiadexin for the Relevant Periods included one of the directors for the year ended 31 December 2005 and two of the directors for the years ended 2006 and 2007, whose emoluments are presented above. The emoluments of the remaining four highest paid individuals for the year ended 31 December 2005 and three of the individuals for the years ended 31 December 2006 and 2007 are as follows:

	Year ended 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and other benefits	88	69	80
Retirement scheme contribution	14	12	14
	102	81	94

The number of individuals fell within the following emolument band (excluding directors):

	Year ended 31 December		
	2005	**2006**	**2007**
Emolument band			
HK$nil – HK$1,000,000	4	3	3

During the Relevant Periods, no emoluments were paid by Hainan Jiadexin to the directors or highest paid individuals as an inducement to join or upon joining Hainan Jiadexin or as compensation for loss of office.

22. COMMITMENTS

Capital Commitments

As at the balance sheet dates, Hainan Jiadexin had the following outstanding capital commitments:

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
– Building	199	57	46
– Machinery	86	129	–
	285	186	46

Operating lease commitments

As at the balance sheet dates, the total future minimum lease payments of Hainan Jiadexin under non-cancellable operating leases are as follows:

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	–	–	965

23. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, Hainan Jiadexin had the following material related party transactions:

(a)

		Year ended 31 December		
		2005	**2006**	**2007**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Sales to a fellow subsidiary	*(i)*	–	–	101
Purchases from a related company	*(ii)*	–	1,040	–

Notes:

(i) The amount represented sales to Yield On International Ltd. The sales were made with reference to the terms negotiated between both parties.

(ii) The amount represented purchases from Maoming Changxing. The purchases were made with reference to the terms negotiated between both parties.

(b) Compensation of key management personnel of Hainan Jiadexin:

	Year ended 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Total remuneration of directors and other member of key management personnel during the year			
– Short term employee benefits	22	37	43
– Retirement scheme contribution	4	6	7
	26	43	50

24. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

Hainan Jiadexin does not have written risk management policies and guidelines. However, the directors of Hainan Jiadexin meet periodically to analyse and formulate measures to manage Hainan Jiadexin's exposure to market risk (including principally changes in interest rates and currency exchange rates), credit risk and liquidity risk. Generally, Hainan Jiadexin employs a conservative strategy regarding its risk management. As the directors of Hainan Jiadexin consider that Hainan Jiadexin's exposure to market risk is kept to a minimum level, Hainan Jiadexin has not used any derivatives and other instruments for hedging purposes. Hainan Jiadexin does not hold or issue derivative financial instruments for trading purposes.

i) Credit risk

The maximum credit risk exposure of the financial assets is their carrying amounts as summarised in note (vi) below.

In the opinion of the directors of Hainan Jiadexin, Hainan Jiadexin does not have significant credit risk exposure because:

- Hainan Jiadexin's bank balances are deposited with the PRC banks; and
- Hainan Jiadexin has no significant concentration of credit risk arising from its ordinary course of business due to its relatively large customer base.

There is no requirement for collateral by Hainan Jiadexin.

ii) Foreign currency risk

Hainan Jiadexin's exposure to market risk for changes in foreign currency exchange rates relates primarily to the financial assets and liabilities denominated in currencies other than the functional currency of Hainan Jiadexin. The currency giving rise to this risk is primarily related to United States dollars ("USD").

The following table details Hainan Jiadexin's exposure at the balance sheet date to currency risk arising from recognised financial assets or liabilities denominated in a currency other than the functional currency of Hainan Jiadexin:

	As at 31 December		
	2005	**2006**	**2007**
	USD'000	*USD'000*	*USD'000*
Trade and bills receivables	785	1,262	5,720
Cash and cash equivalents	1	1	81
Net exposures	786	1,263	5,801

The sensitivity analysis has been determined assuming that the reasonably possible change in foreign exchange rate had occurred at the balance sheet date and had been applied to Hainan Jiadexin's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The assumed changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date with reference to the historical trend of USD against RMB. A 5% strengthening/(weakening) of USD against RMB at the balance sheet date would increase/(decrease) Hainan Jiadexin's profit after tax and retained earnings by the amount shown below. Changes in foreign exchange rates have no impact on Hainan Jiadexin's other components of equity.

	Year ended 31 December		
	2005	**2006**	**2007**
	Profit/(loss)	**Profit/(loss)**	**Profit/(loss)**
	RMB'000	*RMB'000*	*RMB'000*
USD	294/(294)	490/(490)	2,409/(2,409)

iii) Interest rate risk

Hainan Jiadexin does not have significant exposure to interest rate risk in respect of its borrowings as they are mainly at fixed rates and stated at amortised cost. Hainan Jiadexin's exposure to interest rate risk mainly arises on bank deposits but the exposure is not significant. Hainan Jiadexin has not used any derivative contracts to hedge its exposure to interest rate risk or formulated a policy to manage the interest rate risk.

Sensitivity of Hainan Jiadexin's profit after tax and retained earnings to a reasonably possible change in the interest rate until the next annual balance sheet date is assessed to be immaterial. Changes in interest rates have no impact on other components of equity.

iv) Fair values

The fair values of Hainan Jiadexin's current financial assets and liabilities are not materially different from their carrying amount because of their immediate or short term maturity.

v) **Liquidity risk**

Hainan Jiadexin monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Hainan Jiadexin's operations and mitigate the effects of the fluctuations in cash flows. Hainan Jiadexin relies on internally generated funding and borrowing as significant sources of liquidity. The maturity profit of Hainan Jiadexin's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, were as follows:

	On demand	Less than 3 months	3 to less than 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2005				
Trade payables	160	2,414	–	2,574
Other payables	5,611	7,505	–	13,116
Amounts due to directors	13,919	–	–	13,919
Amounts due to immediate holding company	20	–	–	20
Borrowings	–	–	18,599	18,599
	19,710	9,919	18,599	48,228
At 31 December 2006				
Trade payables	597	450	–	1,047
Other payables	11,455	3,182	–	14,637
Due to a related company	14,500	–	–	14,500
Due to directors	8,167	–	–	8,167
Due to immediate holding company	20	–	–	20
Borrowings	–	–	25,000	25,000
	34,739	3,632	25,000	63,371
At 31 December 2007				
Trade payables	149	561	–	710
Other payables	5,064	–	389	5,453
Due to directors	2,450	–	–	2,450
Due to immediate holding company	20	–	–	20
Due to fellow subsidiaries	39,378	–	–	39,378
Borrowings	–	–	40,285	40,285
	47,061	561	40,674	88,296

As at 31 December 2005, 2006 and 2007, Hainan Jiadexin had net current liabilities of RMB 17,770,000, RMB 10,364,000 and RMB 3,769,000 respectively. As detailed in note 3.1, the liquidity of Hainan Jiadexin is primarily dependent on its ability to maintain adequate cash inflow from operation to meet its debt obligations and to obtain financial support from Prowealth, the fellow subsidiaries and directors of Hainan Jiadexin.

vi) Summary of financial assets and liabilities by categories

The carrying amounts of Hainan Jiadexin's financial assets and liabilities as recognised at the balance sheet dates are also analysed into the following categories. See notes 3.10 and 3.14 for explanations about how the category of financial instruments affects their subsequent measurement.

Financial assets

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Loans and receivables			
– Trade receivables	6,354	11,644	41,599
– Other receivables	780	7,430	332
– Due from related companies	1,696	9,258	4,763
– Due from an equity holder	–	500	–
	8,830	28,832	46,694
Cash and cash equivalents	471	557	1,102
	9,301	29,389	47,796

Financial liabilities

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities measured at amortised cost			
– Trade payables	2,574	1,047	710
– Other payables	13,116	14,637	5,453
– Due to a related company	–	14,500	–
– Due to directors	13,919	8,167	2,450
– Due to immediate holding company	20	20	20
– Due to fellow subsidiaries	–	–	39,378
– Borrowings	18,599	25,000	40,285
	48,228	63,371	88,296

25. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

Hainan Jiadexin's primary objectives when managing capital are to safeguard Hainan Jiadexin's ability to continue as a going concern, so that it can continue to provide returns for the equity holders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

Hainan Jiadexin manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure, Hainan Jiadexin may adjust the amount of dividends paid to equity holders, issue new shares, return capital to equity holders, raise new debt financing or sell assets to reduce debts.

Management regards total equity as capital, for capital management purpose. The amount of capital as at 31 December 2005, 2006 and 2007 amounted to approximately RMB 5,171,000, RMB 12,056,000 and RMB 18,139,000 respectively, which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

26. POST BALANCE SHEET EVENT

In addition to those disclosed elsewhere, Hainan Jiadexin had the following material post balance sheet events:

On 21 February 2008, Prowealth entered into a subscription agreement with Sun Boom Limited (the "Bond Holder") in respect of issuance of US$10 million secured convertible bond (the "Convertible Bond") to the Bond Holder.

The Convertible Bond is secured by the following securities given by Hainan Jiadexin and its directors:

a) joint and several guarantee by Mr. Li and a director of Prowealth;

b) charge and assignment for all present and future indebtedness due from Hainan Jiadexin to H.K. Zhouyue Investment Ltd, the immediate holding company of Hainan Jiadexin; and

c) subordination deed executed by Mr. Li, Prowealth and Hainan Jiadexin.

The Convertible Bond is also secured by other securities given by Prowealth and its subsidiaries.

Pursuant to a settlement agreement dated 27 May 2008, the subscription price of the Convertible Bond is reduced to US$7.7 million and is settled by set-off of Prowealth's promissory notes amounted to US$7.7 million. The remaining balance of US$2.3 million has been waived by the Bond Holder and Prowealth. Partial of the Convertible Bond in the amount of US$4,620,462 were converted into 1,666 ordinary shares of Prowealth of US$1.00 each.

27. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Hainan Jiadexin in respect of any period subsequent to 31 December 2007.

Yours faithfully,

Grant Thornton
Certified Public Accountants

13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Management discussion and analysis of Hainan Jiadexin

For the year ended 31 December 2007

Business and financial review

Turnover of Hainan Jiadexin for the year ended 31 December 2007 was approximately RMB 97,222,000 (approximately HK$106,944,200), compared with RMB 106,750,000 (approximately HK$117,425,000) for the year ended 31 December 2006 The business environment was quite stable and the gross margins remains at similar levels during the year ended 31 December 2007 when compared to previous years. During the year ended 31 December 2007, Hainan Jiadexin recorded a profit of RMB 6,083,000 (approximately HK$6,691,300) compared with the profit of RMB 6,885,000 (approximately HK$7,573,500) for the year ended 31 December 2006.

Liquidity and financial resources

As at 31 December 2007, the equity attributable to equity holders of the Hainan Jiadexin was approximately RMB 18,139,000 (approximately HK$19,952,900) (2006: RMB 12,056,000 (approximately HK$13,261,600)). Total liabilities as at 31 December 2007 was approximately RMB 93,059,000 (approximately HK$102,364,900) (2006: RMB 65,026,000 (approximately HK$71,528,600)), consisted of mainly bank loans and amount due to fellow subsidiaries. Hainan Jiadexin will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure when necessary. Hainan Jiadexin had a gearing ratio of approximately 513.0% calculated by dividing total liabilities by the total shareholders' equity.

The cash and bank balances comprise cash and bank deposits of RMB 1,102,000 (approximately HK$1,212,200) (2006: RMB 557,000 (approximately HK$612,700)). As at 31 December 2007, Hainan Jiadexin has total assets of RMB 111,198,000 (approximately HK$122,317,800), compared to RMB 77,082,000 (approximately HK$84,790,200) as at 31 December 2006. Such increase in total assets mainly comprised of increases in inventories and trade and bills receivables.

Significant investments and material acquisitions and disposals of subsidiaries

Hainan Jiadexin did not have any significant investments as at 31 December 2007. Hainan Jiadexin did not have any material acquisitions and disposal of subsidiaries or affiliated companies for the year ended 31 December 2007. Hainan Jiadexin did not have any plans for material investments or capital assets in the coming year.

Finance costs

Finance costs increased to approximately RMB 1,765,000 (approximately HK$1,941,500) (2006: RMB 1,050,000 (approximately HK$1,155,000)) as a result of increase in borrowings from banks during the year.

Charges over assets

At 31 December 2007, Hainan Jiadexin had pledged certain trade and bills receivables, property, plant and equipment and the land use rights with carrying amounts of RMB 18,982,000 (approximately HK$20,880,200) (2006: RMB 20,147,000 (approximately HK$22,161,700)) for securing bank loans granted to Hainan Jiadexin.

Capital structure

The capital structure of the Hainan Jiadexin consists of debt, which includes bank loans, cash and bank balances and equity attributable to equity holders of Hainan Jiadexin, comprising issued share capital and reserves. The directors of Hainan Jiadexin review the capital structure regularly and consider the cost of capital and the risks associated with each class of capital. The directors of Hainan Jiadexin will balance its overall capital structure through the issue of new shares as well as issue of new debt or the redemption of existing debt.

Contingent liabilities

Hainan Jiadexin has no contingent liabilities as at 31 December 2007.

Employees and remuneration

During the year ended 31 December 2007, Hainan Jiadexin employed an average of 500 full time management, administrative and production staff in the PRC. Salaries of employees and directors were determined with reference to their duties, responsibilities and contribution to the Company, the prevailing market conditions, time commitment and desirability of performance-based remuneration.

For the year ended 31 December 2006

Business and financial review

Turnover of Hainan Jiadexin for the year ended 31 December 2006 was approximately RMB 106,750,000 (approximately HK$117,425,00), compared with RMB 79,598,000 (approximately HK$87,557,800) for the year ended 31 December 2005, as sales to Asia Pacific region and the America increased. During the year ended 2006, Hainan Jiadexin recorded a profit of RMB 6,885,000 (approximately HK$7,573,500) compared with a profit of RMB 822,000 (approximately HK$904,200) for the year ended 31 December 2005.

Liquidity and financial resources

As at 31 December 2006, the equity attributable to equity holders of the Hainan Jiadexin was approximately RMB 12,056,000 (approximately HK$13,261,600) (2005: RMB 5,171,000 (approximately HK$5,688,100)). Total liabilities as at 31 December 2006 was approximately RMB 65,026,000 (approximately HK$71,528,600) (2005: RMB 49,072,000 (approximately HK$53,979,200)), consisted of mainly bank loans, trade payables and amount due to directors and related company. Hainan Jiadexin will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure when necessary. Hainan Jiadexin had a gearing ratio of approximately 539.4% calculated by dividing total liabilities by the total shareholders' equity.

The cash and bank balances comprise cash and bank deposits of RMB 557,000 (approximately HK$612,700) (2005: RMB 471,000) (approximately HK$518,100). As at 31 December 2006, Hainan Jiadexin has total assets of RMB 77,082,000 (approximately HK$84,790,200), compared to RMB 54,243,000 (approximately HK$59,667,300) as at 31 December 2005. Such increase in total assets mainly comprised of increases in prepayments, deposits and other receivables, inventories, amount due from related companies and trade and bills receivables. As at 31 December 2006, the equity attributable to equity holders of Hainan Jiadexin was RMB 12,056,000 (approximately HK$13,261,600), compared to RMB 5,171,000 (approximately HK$5,688,100) as at 31 December 2005. Such increase in the capital is mainly attributable to the profit of RMB 6,885,000 (approximately HK$7,573,500) for the year ended 31 December 2006.

Significant investments and material acquisitions and disposals of subsidiaries

Hainan Jiadexin did not have any significant investments as at 31 December 2006. Hainan Jiadexin did not have any material acquisitions and disposal of subsidiaries or affiliated companies for the year ended 31 December 2006. Hainan Jiadexin did not have any plans for material investments or capital assets in the coming year.

Finance costs

Finance costs decreased to approximately RMB 1,050,000 (approximately HK$1,155,000) (2005: RMB 1,305,000 (approximately HK$1,435,500)) as a result of decrease in borrowings during the year.

Charges over assets

At 31 December 2006, Hainan Jiadexin had pledged certain property, plant and equipment with carrying amounts of RMB 20,147,000 (approximately HK$22,161,700) (2005: RMB 661,621 (approximately HK$727,783)) for securing bank loans granted to Hainan Jiadexin.

Capital structure

The capital structure of the Hainan Jiadexin consists of debt, which includes bank loans, cash and bank balances and equity attributable to equity holders of Hainan Jiadexin, comprising issued share capital and reserves. The directors of Hainan Jiadexin review the capital structure regularly and consider the cost of capital and the risks associated with each class of capital. The directors of Hainan Jiadexin will balance its overall capital structure through the issue of new shares as well as issue of new debt or the redemption of existing debt.

Contingent liabilities

Hainan Jiadexin has no contingent liabilities as at 31 December 2006.

Employees and remuneration

During the year ended 31 December 2006, Hainan Jiadexin employed an average of 642 full time management, administrative and production staff in the PRC. Salaries of employees and directors were determined with reference to their duties, responsibilities and contribution to the Company, the prevailing market conditions, time commitment and desirability of performance-based remuneration.

For the year ended 31 December 2005

Business and financial review

Turnover of Hainan Jiadexin for the year ended 31 December 2005 was approximately RMB 79,598,000 (approximately HK$87,557,800), compared with RMB 39,480,000 (approximately HK$43,428,000) for the year ended 31 December 2004, as sales to Asia Pacific region and the America increased. During the year ended 2005, Hainan Jiadexin recorded a profit of RMB 822,000 (approximately HK$904,200) compared with a loss of RMB 187,000 (approximately HK$205,700) for the year ended 31 December 2004.

Liquidity and financial resources

As at 31 December 2005, the equity attributable to equity holders of the Hainan Jiadexin was approximately RMB 5,171,000 (approximately HK$5,688,100) (2004: RMB 4,349,000 (approximately HK$4,783,900)). Total liabilities as at 31 December 2005 was approximately RMB 49,072,000 (approximately HK$53,979,200) (2004: RMB 39,432,000 (approximately HK$43,375,200)), consisted of mainly bank loans, trade payables and amount due to directors. Hainan Jiadexin will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure when necessary. Hainan Jiadexin had a gearing ratio of approximately 949.0% calculated by dividing total liabilities by the total shareholders' equity.

The cash and bank balances comprise cash and bank deposits of RMB 471,000 (approximately HK$518,100) (2004: RMB 3,797,000 (approximately HK$4,176,700)). As at 31 December 2005, Hainan Jiadexin has total assets of RMB 54,243,000 (approximately HK$59,667,300), compared to RMB 43,781,000 (approximately HK$48,159,100) as at 31 December 2004. Such increase in total assets mainly comprised of increases in inventories and amount due from related companies. As at 31 December 2005, the equity attributable to equity holders of Hainan Jiadexin was RMB 5,171,000 (approximately HK$5,688,100) compared to RMB 4,349,000 (approximately HK$4,783,900) as at 31 December 2004. Such increase in the capital is mainly attributable to the profit of RMB 822,000 (approximately HK$904,200) for the year ended 31 December 2005.

Significant investments and material acquisitions and disposals of subsidiaries

Hainan Jiadexin did not have any significant investments as at 31 December 2005. Hainan Jiadexin did not have any material acquisitions and disposal of subsidiaries or affiliated companies for the year ended 31 December 2005. Hainan Jiadexin did not have any plans for material investments or capital assets in the coming year.

Finance costs

Finance costs increased to approximately RMB 1,305,000 (approximately HK$1,435,500) (2004: RMB 539,000) (approximately HK$592,900) as a result of the increase in average bank loans amount during the year.

Charges over assets

At 31 December 2005, Hainan Jiadexin has pledged certain trade and bills receivables, with carrying amounts of RMB 661,621 (approximately HK$727,783) (2004: RMB 8,527,000 (approximately HK$9,379,700)) for securing bank loans granted to Hainan Jiadexin.

Capital structure

The capital structure of the Hainan Jiadexin consists of debt, which includes bank loans, cash and bank balances and equity attributable to equity holders of Hainan Jiadexin, comprising issued share capital and reserves. The directors of Hainan Jiadexin review the capital structure regularly and consider the cost of capital and the risks associated with each class of capital. The directors of Hainan Jiadexin will balance its overall capital structure through the issue of new shares as well as issue of new debt or the redemption of existing debt.

Contingent liabilities

Hainan Jiadexin has no contingent liabilities as at 31 December 2005.

Employees and remuneration

During the year ended 31 December 2005, Hainan Jiadexin employed an average of 477 full time management, administrative and production staff in the PRC. Salaries of employees and directors were determined with reference to their duties, responsibilities and contribution to the Company, the prevailing market conditions, time commitment and desirability of performance-based remuneration.

(4) FINANCIAL INFORMATION OF MAOMING CHANGXING FOODS CO., LTD

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30 June 2008

The Board of Directors
Fulbond Holdings Limited
2805, 28th Floor
The Center
99 Queen's Road Central
Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of 茂名長興食品有限公司 (Maoming Changxing Foods Co., Ltd) ("Maoming Changxing"), in Sections I and II below, including the balance sheets as at 31 December 2005, 2006 and 2007, income statements, cash flow statements and statements of changes in equity for the period from 4 March 2005 (date of incorporation) to 31 December 2005 and each of the two years ended 31 December 2006 and 2007 (the "Relevant Periods") and the notes thereto, prepared for inclusion in the circular (the "Circular") dated 30 June 2008 issued by Fulbond Holdings Limited (the "Company") in connection with the proposed acquisition of not less than 80% of the entire enlarged issued share capital of Prowealth Holdings Group Limited ("Prowealth").

Maoming Changxing is a sino-foreign enterprise with limited liability established in the People's Republic of China (the "PRC") on 4 March 2005 with a registered capital of US$5,000,000. On 19 December 2006, Maoming Changxing was reconstituted into a wholly-foreign owned enterprise with limited liability established in the PRC. As at the date of this report, Wealth Strong International Limited is regarded as the immediate holding company of Maoming Changxing and Smart Chance Holdings Limited is regarded as the intermediate holding company of Maoming Changxing, and Prowealth indirectly holds the entire equity interest in Maoming Changxing through these two holding companies. The registered address and its principal place of business is No. 106 Guangnan Rd., Shuidong Town, Dianbai County, Maoming City, Guangdong, China. The principal activity of Maoming Changxing is manufacturing and trading of aquatic products.

The financial statements of Maoming Changxing for the Relevant Periods were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the PRC and were audited by 茂明市名正會計師事務所有限公司 (Maoming Mingzhen Certified Public Accountants Co., Ltd).

For the purpose of this report, the directors of Maoming Changxing have prepared the financial statements of Maoming Changxing for the Relevant Periods (the "Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have, for the purpose of this report, performed appropriate audit procedures in respect of the Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information for the Relevant Periods as set out in this report has been prepared by the directors of Maoming Changxing based on the Financial Statements or, where appropriate, unaudited management accounts of Maoming Changxing, after making such adjustments as are appropriate. For the purpose of this report, we have examined the Financial Information and carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of Maoming Changxing are responsible for the preparation of the Financial Statements and the Financial Information which give a true and fair view. The directors of the Company are responsible for the contents of the Circular in which this report is included. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Maoming Changxing as at 31 December 2005, 2006 and 2007 and of the results and cash flows of Maoming Changxing for each of the Relevant Periods.

I. FINANCIAL INFORMATION

A. INCOME STATEMENTS

	Notes	Period from 4 March 2005 (date of incorporation) to 31 December 2005 RMB'000	Year ended 31 December 2006 RMB'000	Year ended 31 December 2007 RMB'000
Revenue	5	–	64,345	145,650
Cost of sales		–	(56,974)	(124,213)
Gross profit		–	7,371	21,437
Other income	5	2	3,074	6,492
Selling and distribution expenses		–	(955)	(3,948)
Administrative expenses		(352)	(3,477)	(6,161)
(Loss)/profit from operation	7	(350)	6,013	17,820
Finance costs	8	–	(604)	(1,948)
(Loss)/Profit before income tax		(350)	5,409	15,872
Income tax expense	9	–	–	–
(Loss)/Profit for the period/ year		(350)	5,409	15,872
Dividend	10	–	–	9,000

B. BALANCE SHEETS

	Notes	2005 RMB'000	2006 RMB'000	2007 RMB'000
		As at 31 December		
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	*11*	5,053	29,813	42,836
Prepaid land lease payments	*12*	–	12,954	16,025
Deposits for acquisition of property, plant and equipment		5,607	4,630	2,369
		10,660	47,397	61,230
Current assets				
Inventories	*13*	–	13,114	15,458
Trade receivables	*14*	–	17,936	17,421
Prepayment, deposits and other receivables		1,324	11,161	8,438
Amounts due from fellow subsidiaries	*15*	–	–	3,511
Amounts due from related companies	*15*	50	–	3,500
Amount due from an equity holder	*15*	–	7,535	–
Amount due from a director	*15*	15	159	260
Cash and cash equivalents	*16*	679	3,102	11,207
		2,068	53,007	59,795
Current liabilities				
Trade payables	*17*	–	8,953	14,444
Accrued liabilities and other payables		1,055	4,871	5,812
Amount due to immediate holding company	*15*	–	–	9,000
Amounts due to related companies	*15*	–	7,494	–
Amount due to an equity holder	*15*	5,448	–	–
Amount due to a director	*15*	634	3,724	9,535
Borrowings	*18*	–	30,000	30,000
		7,137	55,042	68,791
Net current liabilities		(5,069)	(2,035)	(8,996)
Net assets		5,591	45,362	52,234
EQUITY				
Equity attributable to equity holders of Maoming Changxing				
Paid in capital	*19*	5,941	40,303	40,303
Reserves	*20*	(350)	5,059	11,931
Total equity		5,591	45,362	52,234

C. STATEMENTS OF CHANGES IN EQUITY

	Paid in capital *RMB'000*	Statutory reserves *(note 20)* *RMB'000*	(Accumulated losses)/ retained earnings *RMB'000*	Total equity *RMB'000*
On 4 March 2005 (date of incorporation)	–	–	–	–
Loss for the period	–	–	(350)	(350)
Total recognised income and expense for the period	–	–	(350)	(350)
Capital injection	5,941	–	–	5,941
Balance at 31 December 2005 and at 1 January 2006	5,941	–	(350)	5,591
Profit for the year	–	–	5,409	5,409
Total recognised income and expense for the year	–	–	5,409	5,409
Capital injection	34,362	–	–	34,362
Transfer to statutory reserves	–	629	(629)	–
Balance at 31 December 2006 and at 1 January 2007	40,303	629	4,430	45,362
Profit for the year	–	–	15,872	15,872
Total recognised income and expense for the year	–	–	15,872	15,872
Interim dividend paid	–	–	(9,000)	(9,000)
Transfer to statutory reserves	–	1,456	(1,456)	–
Balance at 31 December 2007	40,303	2,085	9,846	52,234

D. CASH FLOW STATEMENTS

	Notes	Period from 4 March 2005 (date of incorporation) to 31 December 2005 RMB'000	Year ended 31 December 2006 RMB'000	Year ended 31 December 2007 RMB'000
Cash flows from operating activities				
(Loss)/profit before income tax		(350)	5,409	15,872
Adjustments for:				
Interest income	5	(2)	(16)	(26)
Amortisation of prepaid land lease payments	7	–	198	274
Depreciation	7	33	1,076	1,848
Write off of property, plant and equipments	7	–	–	3
Finance costs	8	–	604	1,948
Operating (loss)/profit before working capital changes		(319)	7,271	19,919
Increase in inventories		–	(13,114)	(2,344)
(Increase)/decrease in trade receivables		–	(17,936)	515
(Increase)/decrease in prepayment, deposits and other receivables		(1,324)	(9,837)	2,723
Increase in trade payables		–	8,953	5,491
Increase in accrued liabilities and other payables		1,055	3,816	941
Cash (used in)/generated from operations		(588)	(20,847)	27,245
Interest paid on bank borrowings		–	(604)	(1,948)
Net cash (used in)/generated from operating activities		(588)	(21,451)	25,297
Cash flows from investing activities				
Interest received		2	16	26
Deposits paid		(5,607)	(4,630)	(2,369)
Purchase of property, plant and equipment		(5,086)	(2,776)	(10,244)
Purchase of land use rights		–	(500)	(3,345)
Net cash used in investing activities		(10,691)	(7,890)	(15,932)

	Notes	Period from 4 March 2005 (date of incorporation) to 31 December 2005	Year ended 31 December 2006	2007
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from financing activities				
Repayment to an equity holder		(3,072)	(12,983)	–
Advance from an equity holder		8,520	–	7,535
Advance to related companies		(50)	(1,040)	(19,330)
Repayment from related companies		–	8,584	8,336
Advance to fellow subsidiaries		–	–	(46,234)
Repayment from fellow subsidiaries		–	–	42,723
Repayment to directors		(901)	(3,074)	(6,691)
Advance from directors		1,520	6,020	12,401
Drawdown of borrowings		–	30,000	30,000
Repayment of borrowings		–	–	(30,000)
Capital contribution by equity holders		5,941	4,257	–
Net cash generated from/(used in) financing activities		11,958	31,764	(1,260)
Net increase in cash and cash equivalents		679	2,423	8,105
Cash and cash equivalents at beginning of period/year		–	679	3,102
Cash and cash equivalents at end of period/year		679	3,102	11,207
Analysis of balances of cash and cash equivalents				
Cash and bank balances	*16*	679	3,102	11,207

II. NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION

The Financial Information set out in this report has been prepared in accordance with HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and have been consistently applied throughout the Relevant Periods.

2. ADOPTION OF NEW OR AMENDED HKFRSs

For the purpose of preparing and presenting the Financial Information, Maoming Changxing has adopted all the new and amended HKFRSs that are effective for the Relevant Periods, and have been adopted as at the beginning of the Relevant Periods.

New or amended HKFRSs that have been issued but are not yet effective:

Maoming Changxing has not early adopted the following standards and interpretation that have been issued but are not yet effective for the Relevant Periods. The directors of Maoming Changxing anticipate that the adoption of such standards and interpretation will not result in material financial impact on the Financial Information for the Relevant Periods.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
Amendments to HKAS 1 (Revised)	Presentation of Financial Statements – Puttable financial instruments and obligations arising on liquidation[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
Amendments to HKAS 32	Financial Instruments: Presentation – Puttable financial instruments and obligations arising on liquidation[1]
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement – Puttable financial instruments and obligations arising on liquidation[1]
Amendments to HKFRS 2	Share-based Payment – Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business Combinations – Comprehensive revision on applying the acquisition method[2]
Amendments to HKFRS 7	Financial Instruments: Disclosures – Puttable financial instruments and obligations arising on liquidation[1]
HKFRS 8	Operating Segments[1]
Amendments to HK(IFRIC) – Int 2	Members' Shares in Co-operative Entities and Similar Instruments [1]
HK(IFRIC) – Int 11	Group and Treasury Share Transactions [5]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009

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

3 Effective for annual periods beginning on or after 1 January 2008

4 Effective for annual periods beginning on or after 1 July 2008

5 Effective for annual periods beginning on or after 1 March 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been adopted in the preparation of the Financial Information are summarised below. These policies have been consistently applied to all the periods presented unless otherwise stated.

The Financial Information has been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4.

The Financial Information has been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that Maoming Changxing had net current liabilities of approximately RMB 5,069,000, RMB 2,035,000 and RMB 8,996,000 as at 31 December 2005, 2006 and 2007 respectively. The going concern basis has been adopted on the basis that (i) Prowealth will continue to provide necessary financial support to meet Maoming Changxing's liabilities and commitments as and when they fall due; and (ii) the immediate holding company and a director have undertaken not to demand repayment of their debts due from Maoming Changxing until such time when repayment will not affect Maoming Changxing's ability to repay other creditors in the normal course of business.

The Financial Information do not include any adjustments that would result from a failure of Maoming Changxing to operate as a going concern. Should Maoming Changxing be unable to continue in business as a going concern, adjustments would have to be made in the Financial Information to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these potential adjustments has not been reflected in the Financial Information.

3.2 Foreign currencies translation

The Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of Maoming Changxing.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet retranslation of monetary assets and liabilities are recognised in the income statement. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.3 Revenue recognition

Revenue comprises the fair value for the sale of goods and net of rebates and discounts. Provided it is probable that the economic benefits will flow to Maoming Changxing and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

– Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

– Interest income is recognised on a time-proportion basis using the effective interest method.

3.4 Borrowing costs

All borrowing costs are expensed as incurred.

3.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Maoming Changxing and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on the following property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Leasehold buildings	20 years
Machinery	10 years
Office equipment	5 years
Motor vehicles	5 years

The assets' residual value, useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction in progress represents machinery and leasehold buildings under construction and is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3.6 Prepaid land lease payments

Prepaid land lease payments represented up-front payments to acquire the land use rights/leasehold land. They are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight line basis over the lease term except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

3.7 Impairment of assets

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units that are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment had been recognised.

3.8 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average cost and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

3.9 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.10 Financial assets

Maoming Changxing's financial assets include trade receivables, other receivables, amount due from a director, amounts due from related companies, amount due from an equity holder and amounts due from fellow subsidiaries.

All financial assets are recognised when, and only when, Maoming Changxing becomes a party to the contractual provisions of the instrument. Maoming Changxing's financial assets are recognised initially, and measured at fair value, plus, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in income statement of the period in which the reversal occurs.

3.11 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

3.12 Paid in capital

Paid in capital paid is classified as equity. This is determined using the proceeds from capital contributions made by the equity holders.

3.13 Retirement benefits scheme

The employees of Maoming Changxing are required to participate in a central pension scheme operated by the local municipal government. Maoming Changxing is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

3.14 Financial liabilities

Maoming Changxing's financial liabilities include trade payables, other payables, amount due a director, amount due to immediate holding company, amounts due to related companies, amount due to an equity holder and borrowings.

Financial liabilities are recognised when Maoming Changxing becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statements.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless Maoming Changxing has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Other financial liabilities (including trade and other payables)

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.15 Provisions and contingent liabilities

Provisions are recognised when Maoming Changxing has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of Maoming Changxing are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.16 Related parties

A party is considered to be related to Maoming Changxing if:

(i) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, Maoming Changxing; (ii) has an interest in Maoming Changxing that gives it significant influence over Maoming Changxing; or (iii) has joint control over Maoming Changxing;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of Maoming Changxing or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of Maoming Changxing, or of any entity that is a related party of Maoming Changxing.

3.17 Operating leases

Leases which do not transfer substantially all the risks and rewards of ownership to Maoming Changxing are classified as operating leases.

Where Maoming Changxing has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the period in which they are incurred.

3.18 Segment reporting

Maoming Changxing is principally engaged in manufacturing and sales of aquatic products, which is the only business segment of Maoming Changxing throughout the Relevant Periods. Accordingly, no analysis by business segment is provided. In respect of geographical segment reporting, revenue is based on the location in which the customer is located and total assets and capital expenditure are where the assets are located.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Maoming Changxing makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Depreciation and amortisation

Maoming Changxing depreciates the property, plant and equipment and amortises prepaid land lease payments in accordance with the accounting policies stated in notes 3.5 and 3.6 respectively. The estimated useful lives reflect the directors' estimate of the periods that Maoming Changxing intends to derive future economic benefits from the use of these assets.

Impairment and written off of receivables

Maoming Changxing's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of Maoming Changxing's debtors and the current market condition. When Maoming Changxing's management determines that there are indicators of significant financial difficulties of the debtors such as default or delinquency in payments, allowance for impairment is estimated. Maoming Changxing's management reassesses the estimations at the balance sheet date.

When Maoming Changxing's management determines the debtors are uncollectible, they are written off against the allowance account for the debtors.

Net realisable value of inventories

These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the balance sheet date.

Impairment of assets (other than financial assets and goodwill)

Maoming Changxing assesses whether there are any indicators of impairment for assets at each reporting date. They are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

Provision for taxes

Maoming Changxing is mainly subject to various taxes in the PRC including corporate income tax. Significant judgement is required in determining the amount of the provision for taxes and the timing of payment of related taxes. Maoming Changxing recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

5. REVENUE AND OTHER INCOME

Revenue, which is also Maoming Changxing's turnover, represents the net invoiced value of goods sold after allowances for returns and trade discounts.

An analysis of Maoming Changxing's revenue and other income is as follows:

	Period from 4 March 2005 (date of incorporation) to 31 December 2005	Year ended 31 December 2006	2007
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods	–	64,345	145,650
Interest income on financial assets stated at amortised cost	2	16	26
Sales of by-products and miscellaneous	–	3,058	6,466
	2	3,074	6,492

6. SEGMENT INFORMATION

As over 90% of the turnover and the profit from operation of Maoming Changxing for the Relevant Periods are generated from the manufacturing and sales of aquatic products, no further segment information by business activity has been presented.

Maoming Changxing has determined that geographical segment based on the location of customers is the primary reporting format. In determining Maoming Changxing's geographical segments, revenues and results are attributed based on the location of the customers. Over 90% of Maoming Changxing's assets are located in Asia Pacific. In the segment information below, Asia Pacific comprises customers in the PRC, Hong Kong, Thailand and Taiwan, The Americas comprises customers in the United States of America and Europe comprises customers in Russia.

Maoming Changxing was inactive during the period from 4 March 2005 (date of incorporation) to 31 December 2005. Accordingly, no segment analysis was presented. The following table presents revenue and profit information for each of Maoming Changxing's geographical segments for the years ended 31 December 2006 and 2007:

	Year ended 31 December 2006			
	Asia Pacific	**The Americas**	**Europe**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:				
Sales to external customers	15,332	47,316	1,697	64,345
Other income – Sales of by-product	3,018	–	–	3,018
Total	18,350	47,316	1,697	67,363
Segment results	4,547	4,718	169	9,434
Other income				56
Administrative expenses				(3,477)
Profit from operation				6,013
Finance costs				(604)
Profit before income tax				5,409
Income tax expense				–
Profit for the year				5,409

	Year ended 31 December 2007			
	Asia Pacific	**The Americas**	**Europe**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:				
Sales to external customers	69,449	63,347	12,854	145,650
Other income – Sales of by-product	6,449	–	–	6,449
Total	75,898	63,347	12,854	152,099
Segment results	14,788	7,606	1,544	23,938
Other income				43
Administrative expenses				(6,161)
Profit from operation				17,820
Finance costs				(1,948)
Profit before income tax				15,872
Income tax expense				–
Profit for the year				15,872

7. (LOSS)/PROFIT FROM OPERATION

(Loss)/profit from operation is arrived at after charging/(crediting):

	Period from 4 March 2005 (date of incorporation) to 31 December 2005	Year ended 31 December 2006	2007
	RMB'000	*RMB'000*	*RMB'000*
Auditors' remuneration	4	7	7
Cost of inventories sold recognised as expense	–	56,974	124,213
Depreciation of property plant and equipment	33	1,076	1,848
Amortisation of prepaid land lease payments	–	198	274
Minimum lease payments under operating leases for leasehold buildings	–	–	60
Write-off of property, plant and equipment	–	–	3
Net foreign exchange loss	–	945	266
Staff costs (including directors' remuneration – note 22)			
– Salaries and wages	200	4,538	8,904
– Retirement scheme contribution	19	257	395
	219	4,795	9,299

8. FINANCE COSTS

	Period from 4 March 2005 (date of incorporation) to 31 December 2005	Year ended 31 December 2006	2007
	RMB'000	*RMB'000*	*RMB'000*
Interest expense on financial liabilities stated at amortised cost	–	604	1,948

9. INCOME TAX EXPENSE

In accordance with various PRC statutory approval documents, Maoming Changxing was exempted from income tax commencing 1 January 2006 for the first two profit-making years and a 50% reduction in the income tax for the next three calendar years ("Tax Holiday").

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25% and will be effective from 1 January 2008. Subsequent to 16 March 2007, the implementation measure on transitional policy of preferential tax rate is announced and Maoming Changxing's entitlement to the Tax Holiday is still applicable. Upon expiry of the Tax Holiday, the new PRC corporate income tax rate of 25% is applicable to Maoming Changxing.

Reconciliation between accounting (loss)/profit and income tax expense at applicable tax rate is as follows:

	Period from 4 March 2005 (date of incorporation) to 31 December 2005	Year ended 31 December 2006	2007
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before income tax	(350)	5,409	15,872
Tax at applicable rate of 27%	(95)	1,460	4,285
Tax effect of non-taxable and non-deductible items, net	2	17	22
Tax effect of unused tax losses not recognised	93	–	–
Tax concession	–	(1,477)	(4,307)
Income tax expense	–	–	–

10. DIVIDEND

	Period from 4 March 2005 (date of incorporation) to 31 December 2005	Year ended 31 December 2006	2007
	RMB'000	*RMB'000*	*RMB'000*
Interim dividend	–	–	9,000

Dividend disclosed during the Relevant Periods represented dividend declared and approved by Maoming Changxing to its equity holders. The rate of dividend is not presented as such information is not meaningful.

11. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Leasehold buildings	Machinery	Office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
On date of incorporation						
Cost	–	–	–	–	–	–
Accumulated depreciation	–	–	–	–	–	–
Net carrying amount	**–**	**–**	**–**	**–**	**–**	**–**
Period ended 31 December 2005						
Opening net carrying amount	–	–	–	–	–	–
Additions	140	–	4,650	29	267	5,086
Depreciation	–	–	–	(3)	(30)	(33)
Closing net carrying amount	**140**	**–**	**4,650**	**26**	**237**	**5,053**
At 31 December 2005						
Cost	140	–	4,650	29	267	5,086
Accumulated depreciation	–	–	–	(3)	(30)	(33)
Net carrying amount	**140**	**–**	**4,650**	**26**	**237**	**5,053**
Year ended 31 December 2006						
Opening net carrying amount	140	–	4,650	26	237	5,053
Additions	1,321	21,684	2,513	318	–	25,836
Transfer in/(out)	(140)	140	–	–	–	–
Depreciation	–	(609)	(390)	(28)	(49)	(1,076)
Closing net carrying amount	**1,321**	**21,215**	**6,773**	**316**	**188**	**29,813**
At 31 December 2006						
Cost	1,321	21,824	7,163	347	267	30,922
Accumulated depreciation	–	(609)	(390)	(31)	(79)	(1,109)
Net carrying amount	**1,321**	**21,215**	**6,773**	**316**	**188**	**29,813**
Year ended31 December 2007						
Opening net carrying amount	1,321	21,215	6,773	316	188	29,813
Additions	527	7,792	6,074	167	314	14,874
Transfer in/(out)	(106)	–	106	–	–	–
Depreciation	–	(1,008)	(719)	(73)	(48)	(1,848)
Write-off	–	–	–	(3)	–	(3)
Closing net carrying amount	**1,742**	**27,999**	**12,234**	**407**	**454**	**42,836**
At 31 December 2007						
Cost	1,742	29,616	13,343	511	581	45,793
Accumulated depreciation	–	(1,617)	(1,109)	(104)	(127)	(2,957)
Net carrying amount	**1,742**	**27,999**	**12,234**	**407**	**454**	**42,836**

Notes:

(a) Maoming Changxing's leasehold buildings are on land held under medium term leases in the PRC.

(b) Maoming Changxing was in the process of obtaining certain building ownership certificates for its leasehold buildings as at 31 December 2006 and 2007. These leasehold buildings are erected on land for which relevant land use right certificate has been obtained by Maoming Changxing as detailed in note 12.

(c) As at 31 December 2007, Maoming Changxing's leasehold buildings at the net carrying amount of RMB 17,719,000 (2006: RMB 18,597,000) and machinery at the net carrying amount of RMB 7,202,000 (2006: RMB 5,456,000) were pledged to secure bank borrowings granted to Maoming Changxing (note 18).

12. PREPAID LAND LEASE PAYMENTS

	RMB'000
On date of incorporation and at 1 January 2006	
Cost	–
Accumulated amortisation	–
Net carrying amount	**–**
Year ended 31 December 2006	
Opening net carrying amount	–
Additions	13,152
Amortisation	(198)
Net carrying amount	**12,954**
At 31 December 2006 and 1 January 2007	
Cost	13,152
Accumulated amortisation	(198)
Net carrying amount	**12,954**
Year ended 31 December 2007	
Opening net carrying amount	12,954
Additions	3,345
Amortisation	(274)
Net carrying amount	**16,025**
At 31 December 2007	
Cost	16,497
Accumulated amortisation	(472)
Net carrying amount	**16,025**

Note:

(a) Maoming Changxing's land use rights are held under medium term leases in the PRC.

(b) Maoming Changxing was in the process of obtaining a land use right certificate for its leasehold land with an aggregate net carrying amount of approximately RMB 3,345,000 at 31 December 2007. Subsequent to 31 December 2007, Maoming Changxing obtained the relevant land use right certificate.

(c) As at 31 December 2007, Maoming Changxing's land use rights at the net carrying amount of approximately RMB 12,679,000 (2006: RMB 12,454,000) were pledged to secure bank borrowings granted to Maoming Changxing (note 18).

13. INVENTORIES

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	–	284	1,832
Finished goods	–	12,830	13,626
	–	13,114	15,458

14. TRADE RECEIVABLES

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	–	17,936	17,421

An ageing analysis of Maoming Changxing's trade receivables as at the balance sheets date is as follows:

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
0 to 90 days	–	17,936	16,823
91 – 180 days	–	–	443
Over 180 days	–	–	155
	–	17,936	17,421

The majority of Maoming Changxing's sales are on credit. Maoming Changxing has a policy of allowing trade customers with credit normally ranged from 30 to 90 days. Overdue balances are reviewed regularly by management. The directors of Maoming Changxing are of the opinion that no allowance for impairment of trade receivables is necessary as there was no recent history of default in respect of these trade debtors.

An ageing analysis of the Maoming Changxing's trade receivables that are not considered to be impaired is as follows:

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Neither past due nor impaired	–	17,936	16,823
Less than 6 months past due	–	–	443
6 to 12 months past due	–	–	155
	–	17,936	17,421

15. BALANCES WITH IMMEDIATE HOLDING COMPANY, FELLOW SUBSIDIARIES, RELATED COMPANIES, AN EQUITY HOLDER AND DIRECTORS

The balances are unsecured, interest-free and repayable on demand.

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and in hand	679	3,102	11,207

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Maoming Changxing had cash and bank balances denominated in RMB amounting to approximately RMB 679,000, RMB 2,524,000 and RMB 9,562,000 as at 31 December 2005, 2006 and 2007 respectively, which were deposited with banks in the PRC and held in hand. The RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, Maoming Changxing is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

17. TRADE PAYABLES

An aging analysis of Maoming Changxing's trade payable as at the balance sheet date is as follows:

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
0 to 90 days	–	8,953	14,395
91 – 180 days	–	–	40
Over 180 days	–	–	9
	–	8,953	14,444

18. BORROWINGS

	As at 31 December		
	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*
Bank loans (secured)	–	30,000	30,000

The bank loans were secured by i) Maoming Changxing's property, plant and equipment and land use rights as detailed in notes 11 and 12 respectively; ii) personal guarantees provided by Mr. Li Geng ("Mr. Li"), Maoming Changxing's director and his wife, Ms. Huang Yu Wei and his mother, Ms. Lai Yu Zhen; and iii) Mr. Liang Zhen Mei ("Mr. Liang"), Maoming Changxing's director and his wife, Ms. Zhang Bi Rong. The bank loans of Maoming Changxing bear fixed interest rate ranged from 6.12% to 7.29% per annum.

19. PAID IN CAPITAL

Maoming Changxing was established in the PRC on 4 March 2005 with a registered capital of USD5,000,000.

The movements in paid in capital of Maoming Changxing during the Relevant Periods are as follows:

	As at 31 December					
	2005		2006		2007	
	USD'000	*RMB'000*	*USD'000*	*RMB'000*	*USD'000*	*RMB'000*
At beginning of period/year	–	–	720	5,941	5,000	40,303
Capital contributions	720	5,941	4,280	34,362	–	–
At end of period/year	**720**	**5,941**	**5,000**	**40,303**	**5,000**	**40,303**

20. RESERVES

The amounts of Maoming Changxing's reserves and the movements therein for the period from 4 March 2005 (date of incorporation) to 31 December 2005 and each of the two years ended 31 December 2006 and 2007 are presented in the statements of changes in equity on page II-103.

In accordance with relevant PRC regulations, Maoming Changxing is required to appropriate not less than 10% of its profits after tax to the statutory reserves, until the balances of the fund reach 50% of the registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to offset against their accumulated losses, if any.

21. NOTES TO THE CASH FLOW STATEMENTS

Major non-cash transactions

In addition to those disclosed elsewhere in the Financial Information, Maoming Changxing had the following significant non-cash transactions:

(a) During the year ended 31 December 2006, registered capital of Maoming Changxing in the amount of USD3,750,000 (equivalent to RMB 30,105,000) was paid up by the injection of property, plant and equipment and land use rights which amounted to RMB 17,453,000 and RMB 12,652,000 respectively.

(b) During the years ended 31 December 2006 and 2007, deposits of RMB 5,607,000 and RMB 4,630,000 paid in prior year for the acquisition of property, plant and equipment were capitalised as property, plant and equipment.

(c) During the year ended 31 December 2007, dividend payable of RMB 9,000,000 was settled by current account with immediately holding company.

22. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to the directors were as follows:

	Fees	Salaries, allowance and other benefits	Retirement scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the period 4 March 2005 (Date of incorporation) to 31 December 2005				
Li Geng	–	–	–	–
Liang Zhen Mei	–	12	2	14
Chien Mine Chyr*	–	–	–	–
Chen Ling Chun*	–	–	–	–
	–	12	2	14
Year ended 31 December 2006				
Li Geng	–	–	–	–
Liang Zhen Mei	–	63	2	65
Li Jie Mei#	–	20	2	22
	–	83	4	87
Year ended 31 December 2007				
Li Geng	–	–	–	–
Liang Zhen Mei	–	67	2	69
Li Jie Mei	–	18	2	20
Zhang Bi Rong^	–	–	–	–
	–	85	4	89

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

* Resigned during the year ended 31 December 2006

Appointed during the year ended 31 December 2006

^ Appointed during the year ended 31 December 2007

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in Maoming Changxing for the Relevant Periods included one of the directors for the period ended from 4 March 2005 (date of incorporation) to 31 December 2005, two of the directors for the year ended 31 December 2006 and one of the directors for the year ended 31 December 2007, whose emoluments are presented above. The emoluments of the remaining four highest paid individuals during the period ended from 4 March 2005 (date of incorporation) to 31 December 2005, three of the individuals for the year ended 31 December 2006 and four of the individuals for the year ended 31 December 2007 are as follows:

	Period from 4 March 2005 (date of incorporation) to 31 December	Year ended 31 December	
	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and other benefits	40	139	120
Retirement scheme contribution	5	6	8
	45	145	128

The number of individuals fell within the following emolument band (excluding directors):

	Period from 4 March 2005 (date of incorporation) to 31 December	Year ended 31 December	
	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*
Emolument band			
HK$nil – HK$1,000,000	4	3	4

During the Relevant Periods, no emoluments were paid by Maoming Changxing to the highest paid individuals or directors as an inducement to join or upon joining Maoming Changxing or as compensation for loss of office.

23. COMMITMENTS

Capital Commitments

As at the balance sheet dates, Maoming Changxing had the following outstanding capital commitments:

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for			
– Building	1,497	2,783	4,660
– Machinery	406	1,578	930
	1,903	4,361	5,590

24. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, Maoming Changxing had the following material related party transactions:

(a)

		Period from 4 March 2005 (date of incorporation) to 31 December	Year ended 31 December	
		2005	**2006**	**2007**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Sales to a fellow subsidiary	*(i)*	–	–	17,978
Sales to a related company	*(ii)*	–	1,040	–

Notes:

(i) The amount represented sales to Yield On International Limited during the Relevant Periods. The sales were made with reference to the terms negotiated between both parties.

(ii) The amount represented sales to Hainan Jiadexin Foodstuff Co., Ltd in which Mr. Li is a director and equity holder during the Relevant Periods. The sales were made with reference to the terms negotiated between both parties.

(b) Compensation of key management personnel of Maoming Changxing:

	Period from 4 March 2005 (date of incorporation) to 31 December 2005	Year ended 31 December 2006	2007
	RMB'000	*RMB'000*	*RMB'000*
Total remuneration of directors and other member of key management personnel during the period/year			
– Short term employee benefits	12	83	85
– Retirement scheme contribution	2	4	4
	14	87	89

(c) Pursuant to the sale and purchase agreement dated 10 December 2007, a leasehold building and a land use right were purchased from Mr. Liang. The purchase considerations were RMB 7,792,000 and RMB 3,345,000 respectively. The sale and purchase were based on mutually agreed terms.

25. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

Maoming Changxing does not have written risk management policies and guidelines. However, the directors of Maoming Changxing meet periodically to analyse and formulate measures to manage Maoming Changxing's exposure to market risk (including principally changes in interest rates and currency exchange rates), credit risk and liquidity risk. Generally, Maoming Changxing employs a conservative strategy regarding its risk management. As the directors of Maoming Changxing consider that Maoming Changxing's exposure to market risk is kept to a minimum level, Maoming Changxing has not used any derivatives and other instruments for hedging purposes. Maoming Changxing does not hold or issue derivative financial instruments for trading purposes.

i) Credit risk

The maximum credit risk exposure of the financial assets is their carrying amounts as summarised in note (vi) below.

In the opinion of the directors of Maoming Changxing, Maoming Changxing does not have significant credit risk exposure because:

- Maoming Changxing's bank balances are deposited with the PRC banks; and
- Maoming Changxing has no significant concentration of credit risk arising from its ordinary course of business due to its relatively large customer base.

There is no requirement for collateral by Maoming Changxing.

ii) Foreign currency risk

Maoming Changxing's exposure to market risk for changes in foreign currency exchange rates relates primarily to the financial assets and liabilities denominated in currencies other than the functional currency of Maoming Changxing. The currencies giving rise to this risk are primarily related to United States dollars ("USD").

The following table details Maoming Changxing's exposure at the balance sheet date to currency risk arising from recognised financial assets or liabilities denominated in a currency other than the functional currency of Maoming Changxing:

	As at 31 December		
	2005	**2006**	**2007**
	USD'000	*USD'000*	*USD'000*
Trade receivables	–	1,302	1,107
Cash and cash equivalents	–	74	225
	–	1,376	1,332
Amount due to a fellow subsidiary	–	–	(182)
Net exposures	–	1,376	1,150

The sensitivity analysis has been determined assuming that the reasonably possible change in foreign exchange rate had occurred at the balance sheet date and had been applied to Maoming Changxing's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The assumed changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date with reference to the historical trend of USD against RMB. A 5% strengthening/(weakening) of USD against RMB at the balance sheet date would increase/(decrease) Maoming Changxing's profit after tax and retained earnings by the amount shown below. Changes in foreign exchange rates have no impact on Maoming Changxing's other components of equity.

	Period from 4 March 2005 (date of incorporation) to 31 December	**Year ended 31 December**	
	2005	**2006**	**2007**
	Profit/(loss)	*Profit/(loss)*	*Profit/(loss)*
	RMB'000	*RMB'000*	*RMB'000*
USD	–	535/(535)	419/(419)

iii) Interest rate risk

Maoming Changxing does not have significant exposure to interest rate risk in respect of its borrowings as they are at fixed rates and stated at amortised cost. Maoming Changxing's exposure to interest rate risk mainly arises on bank deposits but the exposure is not significant. Maoming Changxing has not used any derivative contracts to hedge its exposure to interest rate risk or formulated a policy to manage the interest rate risk.

Sensitivity of Maoming Changxing's profit after tax and retained earnings to a reasonably possible change in the interest rate until the next annual balance sheet date is assessed to be immaterial. Changes in interest rates have no impact on other components of equity.

iv) Fair value

The fair values of Maoming Changxing's current financial assets and liabilities are not materially different from their carrying amounts because of their immediate or short term maturity.

v) Liquidity risk

Maoming Changxing monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Maoming Changxing's operations and mitigate the effects of fluctuations in cash flows. Maoming Changxing relies on internally generated funding and borrowings as significant sources of liquidity. The maturity profile of Maoming Changxing's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, were as follows:

	As at 31 December 2007			
	On demand	**Less than 3 months**	**3 to less than 12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	49	14,395	–	14,444
Other payables	72	–	–	72
Due to immediate holding company	9,000	–	–	9,000
Due to a director	9,535	–	–	9,535
Borrowings	–	–	30,000	30,000
	18,656	14,395	30,000	63,051

	As at 31 December 2006			
	On demand	**Less than 3 months**	**3 to less than 12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	51	8,902	–	8,953
Other payables	3,293	–	–	3,293
Due to related companies	7,494	–	–	7,494
Due to a director	3,724	–	–	3,724
Borrowings	–	–	30,000	30,000
	14,562	8,902	30,000	53,464

	As at 31 December 2005			
	On demand	**Less than 3 months**	**3 to less than 12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	1,035	–	–	1,035
Due to an equity holder	5,448	–	–	5,448
Due to a director	634	–	–	634
	7,117	–	–	7,117

As at 31 December 2005, 2006 and 2007, Maoming Changxing had net current liabilities of RMB 5,069,000, RMB 2,035,000 and RMB 8,996,000 respectively. As detailed in note 3.1, the liquidity of Maoming Changxing is primarily dependent on its ability to maintain adequate cash inflow from operation to meet its debt obligations and to obtain financial support from Prowealth, the immediate holding company and a director of Maoming Changxing.

vi) Summary of financial assets and liabilities by category

The carrying amounts of Maoming Changxing's financial assets and liabilities as recognised at the balance sheet dates are also analysed into the following categories. See notes 3.10 and 3.14 for explanations about how the category of financial instruments affects their subsequent measurement.

Financial assets

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Loans and receivables			
– Trade receivables	–	17,936	17,421
– Other receivables	447	6,640	6,701
– Due from fellow subsidiaries	–	–	3,511
– Due from related companies	50	–	3,500
– Due from an equity holder	–	7,535	–
– Due from a director	15	159	260
	512	32,270	31,393
Cash and cash equivalents	679	3,102	11,207
	1,191	35,372	42,600

Financial liabilities

	As at 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities measured at amortised cost			
Trade payables	–	8,953	14,444
Other payables	1,035	3,293	72
Due to immediate holding company	–	–	9,000
Due to related companies	–	7,494	–
Due to an equity holder	5,448	–	–
Due to a director	634	3,724	9,535
Borrowings	–	30,000	30,000
	7,117	53,464	63,051

26. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

Maoming Changxing's primary objectives when managing capital are to safeguard Maoming Changxing's ability to continue as a going concern, so that it can continue to provide returns for the equity holders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

Maoming Changxing manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure, Maoming Changxing may adjust the amount of dividends paid to equity holders, issue new shares, return capital to equity holders, raise new debt financing or sell assets to reduce debts.

Management regards total equity as capital, for capital management purpose. The amount of capital as at 31 December 2005, 2006 and 2007 amounted to approximately RMB 5,591,000, RMB 45,362,000 and RMB 52,234,000 respectively, which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

27. POST BALANCE SHEET EVENT

In addition to those disclosed elsewhere, Maoming Changxing had the following material post balance sheet events:

On 21 February 2008, Prowealth entered into a subscription agreement with Sun Boom Limited (the "Bond Holder") in respect of issuance of US$10 million secured convertible bond (the "Convertible Bond") to the Bond Holder.

The Convertible Bond is secured by the following securities given by Maoming Changxing and its directors:

a) joint and several guarantee by Mr. Li and a director of Prowealth;

b) charge and assignment for all present and future indebtedness due from Maoming Changxing to Wealth Strong International Limited, the immediate holding company of Maoming Changxing; and

c) subordination deed executed by Mr. Li, Prowealth and a fellow subsidiary of Maoming Changxing.

The Convertible Bond is also secured by other securities given by Prowealth and its subsidiaries.

Pursuant to a settlement agreement dated 27 May 2008, the subscription price of the Convertible Bond is reduced to US$7.7 million and is settled by set-off of Prowealth's promissory notes amounted to US$7.7 million. The remaining balance of US$2.3 million has been waived by the Bond Holder and Prowealth. Partial of the Convertible Bond in the amount of US$4,620,462 were converted into 1,666 ordinary shares of Prowealth of US$1.00 each.

28. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Maoming Changxing in respect of any period subsequent to 31 December 2007.

Yours faithfully,

Grant Thornton
Certified Public Accountants

13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Management discussion and analysis of Maoming Changxing

For the year ended 31 December 2007

Business and financial review

Turnover of Maoming Changxing for the year ended 31 December 2007 was approximately RMB 145,650,000 (approximately HK$160,215,000), compared with RMB 64,345,000 (approximately HK$70,779,500) for the year ended 31 December 2006. The record turnover for the year ended 31 December 2007 was contributable mainly to the increases in sales orders from Asia Pacific and US buyers. During the year ended 2007, Maoming Changxing recorded a profit of RMB 15,872,000 (approximately HK$17,459,200) compared with the profit of RMB 5,409,000 (approximately HK$5,949,900) for the year ended 31 December 2006.

Liquidity and financial resources

As at 31 December 2007, the equity attributable to equity holders of the Maoming Changxing was approximately RMB 52,234,000 (approximately HK$57,457,400) (2006: RMB 45,362,000 (approximately HK$49,898,200)). Total liabilities as at 31 December 2007 was approximately RMB 68,791,000 (approximately HK$75,670,100) (2006: RMB 55,042,000 (approximately HK$60,546,200)), consisted of mainly bank loans, trade payables, amount due to a director and the immediate holding Company. Maoming Changxing will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure when necessary. Maoming Changxing had a gearing ratio of approximately 131.7% calculated by dividing total liabilities by the total shareholders' equity.

The cash and bank balances comprise cash and bank deposits of RMB 11,207,000 (approximately HK$12,327,700) (2006: RMB 3,102,000 (approximately HK$3,412,200)). As at 31 December 2007, Maoming Changxing has total assets of RMB 121,025,000 (approximately HK$133,127,500), compared to RMB 100,404,000 (approximately HK$110,444,400) as at 31 December 2006. Such increase in total assets mainly comprised of increases in inventories and cash and cash equivalents. As at 31 December 2007, the equity attributable to equity holders of Maoming Changxing was RMB 52,234,000 (approximately HK$57,457,400), compared to RMB 45,362,000 (approximately HK$49,898,200) as at 31 December 2006. Such increase in the capital is mainly attributable to the profit of RMB 15,872,000 (approximately HK$17,459,200) less dividends of RMB 9,000,000 (approximately HK$9,900,000) declared for the year ended 31 December 2007.

Significant investments and material acquisitions and disposals of subsidiaries

Maoming Changxing did not have any significant investments as at 31 December 2007. Maoming Changxing did not have any material acquisitions and disposal of subsidiaries or affiliated companies for the year ended 31 December 2007. Maoming Changxing did not have plans for material investments or capital assets in the coming year.

Finance costs

Finance costs increased to approximately RMB 1,948,000 (approximately HK$2,142,800) (2006: RMB 604,000 (approximately HK$664,400)) as a result of the increased loan periods.

Charges over assets

At 31 December 2007, Maoming Changxing had pledged certain property, plant and equipment and the land use rights with carrying amounts of RMB 37,600,000 (approximately HK$41,360,000) (2006: RMB 36,507,000 (approximately HK$40,157,700)) for securing bank loans granted to Maoming Changxing.

Capital structure

The capital structure of Maoming Changxing consists of debt, which includes bank loans, cash and bank balances and equity attributable to equity holders of Maoming Changxing, comprising issued share capital and reserves. The directors of Maoming Changxing review the capital structure regularly and consider the cost of capital and the risks associated with each class of capital. The directors of Maoming Changxing will balance its overall capital structure through the issue of new shares as well as issue of new debt or the redemption of existing debt.

Contingent liabilities

Maoming Changxing has no contingent liabilities as at 31 December 2007.

Employees and remuneration

During the year ended 31 December 2007, Maoming Changxing employed an average of 626 full time management, administrative and production staff in the PRC. Salaries of employees and directors were determined with reference to their duties, responsibilities and contribution to the Company, the prevailing market conditions, time commitment and desirability of performance-based remuneration.

For the year ended 31 December 2006

Business and financial review

Turnover of Maoming Changxing for the year ended 31 December 2006 was approximately RMB 64,345,000 (approximately HK$70,779,500), compared with nil for the period from 4 March 2005 (date of incorporation) to 31 December 2005 since Maoming Changxing commenced its operations in 2006. During the year ended 2006, Maoming Changxing recorded a profit of RMB 5,409,000 (approximately HK$5,949,900) compared with the loss of RMB 350,000 (approximately HK$385,000) for the period from 4 March 2005 (date of incorporation) to 31 December 2005.

Liquidity and financial resources

As at 31 December 2006, the equity attributable to equity holders of the Maoming Changxing was approximately RMB 45,362,000 (approximately HK$49,898,200) (2005: RMB 5,591,000 (approximately HK$6,150,100)). Total liabilities as at 31 December 2006 was approximately RMB 55,042,000 (approximately HK$60,546,200) (2005: RMB 7,137,000 (approximately HK$7,850,700)), consisted of mainly bank loans, trade payables and amount due to related companies. Maoming Changxing will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure when necessary. Maoming Changxing had a gearing ratio of approximately 121.3% calculated by dividing total liabilities by the total shareholders' equity.

The cash and bank balances comprise cash and bank deposits of RMB 3,102,000 (approximately HK$3,412,200) (2005: RMB 679,000 (approximately HK$746,900)). As at 31 December 2006, Maoming Changxing has total assets of RMB 100,404,000 (approximately HK$110,444,400), compared to RMB 12,728,000 (approximately HK$14,000,800) as at 31 December 2005. Such increase in total assets mainly comprised of increases in property, plant and equipment, land use rights, prepayments, deposits and other receivables, inventories and trade receivables. As at 31 December 2006, the equity attributable to equity holders of Maoming Changxing was RMB 45,362,000 (approximately HK$49,898,200), compared to RMB 5,591,000 (approximately HK$6,150,100) as at 31 December 2005. Such increase in the capital is mainly attributable to the profit of RMB 5,409,000 (approximately HK$5,949,900) plus increase in paid-up capital for the year ended 31 December 2006.

Significant investments and material acquisitions and disposals of subsidiaries

Maoming Changxing did not have any significant investments as at 31 December 2006. Maoming Changxing did not have any material acquisitions and disposal of subsidiaries or affiliated companies for the year ended 31 December 2006. Maoming Changxing did not have plans for material investments or capital assets in the coming year.

Finance costs

Finance costs increased to approximately RMB 604,000 (approximately HK$664,400) (2005: nil) as a result of increase in borrowings from banks during the year.

Charges over assets

At 31 December 2006, Maoming Changxing had pledged certain property, plant and equipment and the land use rights with carrying amounts of RMB 36,507,000 (approximately HK$40,157,700) (2005: RMB nil) for securing bank loans granted to the Maoming Changxing.

Capital structure

The capital structure of the Maoming Changxing consists of debt, which includes bank loans, cash and bank balances and equity attributable to equity holders of Maoming Changxing, comprising issued share capital and reserves. The directors of Maoming Changxing review the capital structure regularly and consider the cost of capital and the risks associated with each class of capital. The directors of Maoming Changxing will balance its overall capital structure through the issue of new shares as well as issue of new debt or the redemption of existing debt.

Contingent liabilities

Maoming Changxing has no contingent liabilities as at 31 December 2006.

Employees and remuneration

During the year ended 31 December 2006, Maoming Changxing employed an average of 351 full time management, administrative and production staff in the PRC. Salaries of employees and directors were determined with reference to their duties, responsibilities and contribution to the Company, the prevailing market conditions, time commitment and desirability of performance-based remuneration.

For the period from 4 March 2005 (date of incorporation) to 31 December 2005

Changxing Maoming has not commenced its operations for the period from 4 March 2005 (date of incorporation) to 31 December 2005.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accounts, Deloitte Touche Tohmatsu. A copy of the following accountants' report is available for inspection.

Deloitte.
德勤

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Hong Kong

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF FULBOND HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Fulbond Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Prowealth Holdings Group Limited ("Prowealth") and its subsidiaries (together with the Group hereinafter collectively referred to as the "Enlarged Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the acquisition of shares in Prowealth and issue of SPA consideration shares and SPA convertible notes might have affected the financial information presented, for inclusion in Appendix III of the circular dated 30 June 2008 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in Appendix III to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Enlarged Group as at 31 December 2007 or any future date; or
- the results and cash flows of the Enlarged Group for the year ended 31 December 2007 or any future period.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 June 2008

I. THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the proposed acquisition of interest in Prowealth involving the issue of 3,756,840,000 shares of the Company and SPA Convertible Notes amounting to HK$160,911,760 of the Company (the "Very Substantial Acquisition"). On completion of the Very Substantial Acquisition, the Company will indirectly own 80% interest in Prowealth. The pro forma financial information has been prepared on the assumption that the Company will be able to gain control of Prowealth after the completion of the Very Substantial Acquisition.

The pro forma financial information of the Enlarged Group has been prepared on the assumption that the Very Substantial Acquisition had been completed on 31 December 2007 in the case of the pro forma consolidated balance sheet, and on 1 January 2007 in the case of the pro forma consolidated income statement and the pro forma consolidated cash flow statement of the Enlarged Group.

For the purpose of the unaudited pro forma financial information, HKD amounts have been translated into USD amounts at a closing rate of USD1.00 = HKD7.75 for the balances as at 31 December 2007 for the unaudited pro forma balance sheet and at an average rate of USD1.00 = HKD7.75 for the unaudited pro forma consolidated income statement and cash flow statement.

1. Unaudited pro forma consolidated balance sheet of the Enlarge Group

This unaudited pro forma consolidated balance sheet of the Enlarged Group is prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Very Substantial Acquisition as if it had taken place on 31 December 2007.

The unaudited pro forma consolidated balance sheet of the Enlarged Group is based on the audited consolidated balance sheet as at 31 December 2007 of the Group as extracted from the Company's published annual report for the year ended 31 December 2007 and the consolidated balance sheet of Prowealth as at 31 December 2007 as extracted from the Accountants' Report on the financial information of Prowealth Group as set out in Appendix II of this Circular after making pro forma adjustments relating to the Very Substantial Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable. Accordingly the unaudited consolidated balance sheet of the Enlarged Group is prepared for illustrative purposes only and because of its nature, may not give a true picture of the financial position of the Enlarged Group as at 31 December 2007 or any future date.

	Fulbond Group	Prowealth Group	Prowealth Group (Translated)	Reclassification	Prowealth Group (Reclassified)	Subtotal	Pro forma adjustment	Pro forma Enlarged Group
			USD1/ HKD7.75	*Note a*			*Note b*	Total
	A		B	C	D=B+C	E=A+D	F	G=E+F
	US$'000	*HK$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Non-current assets								
Property, plant and equipment	12,967	66,277	8,552		8,552	21,519		21,519
Prepaid lease payments	810	25,188	3,250		3,250	4,060		4,060
Deposit paid for acquisition of property, plant and equipment	–	2,752	355		355	355		355
Goodwill	–	–	–		–	–	65,923	65,923
Interest in associates	–	–	–		–	–		–
Other investments	–	–	–		–	–		–
Club debenture	–	–	–		–	–		–
Deferred tax assets	–	–	–		–	–		–
	13,777	94,217	12,157		12,157	25,934		91,857
Current assets								
Inventories	6,653	55,513	7,163		7,163	13,816		13,816
Trade and bills receivables	2,370	68,184	8,800	969	9,769	12,139		12,139
Deposits and prepayments	1,585	17,026	2,197	(969)	1,228	2,813		2,813
Prepaid lease payments	63	–	–		–	63		63
Amounts due from related companies	–	8,824	1,139		1,139	1,139		1,139
Bank balances and cash	6,888	24,251	3,127		3,127	10,015		10,015
	17,559	173,798	22,426		22,426	39,985		39,985
Current liabilities								
Trade and other payables	8,858	16,181	2,088	2,817	4,905	13,763		13,763
Accrued liabilities and other payable	–	21,828	2,817	(2,817)	–	–		–
Amounts due to associates	98	–	–		–	98		98
Amount due to a former associate	49	–	–		–	49		49
Amount due to a shareholder	702	–	–		–	702		702
Amount due to a former ultimate holding company	560	–	–		–	560		560
Amount due to a director	–	46,481	5,998		5,998	5,998		5,998
Amounts due to directors of subsidiaries	–	10,394	1,341		1,341	1,341		1,341
Taxation payable	242	–	–		–	242		242
Convertible bonds	–	–	–		–	–	13,948	13,948
Bank and other borrowings-due within one year	9,769	134,953	17,413		17,413	27,182		27,182
	20,278	229,837	29,657		29,657	49,935		63,883
Net current liabilities	(2,719)	(56,039)	(7,231)		(7,231)	(9,950)		(23,898)
Total assets less current current liabilities	11,058	38,178	4,926		4,926	15,984		67,959

	Fulbond Group	Prowealth Group	Prowealth Group (Translated) USD1/ HKD7.75	Reclassification	Prowealth Group (Reclassified)	Subtotal	Pro forma adjustment	Pro forma Enlarged Group
				Note a			*Note b*	**Total**
	A		**B**	**C**	**D=B+C**	**E=A+D**	**F**	**G=E+F**
	US$'000	*HK$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Non-current liabilities								
Bank and other borrowings-due after one year	1,075	–	–		–	1,075		1,075
Deferred tax liabilities	–	1,362	176		176	176		176
	1,075	1,362	176		176	1,251		1,251
	9,983	36,816	4,750		4,750	14,733		66,708
Capital and reserves								
Share capital	9,197	1	–		–	9,197	3,757	12,954
Reserves	(2,689)	36,815	4,750		4,750	2,061	47,268	49,329
Equity attributable to equity holders of the company	6,508	36,816	4,750		4,750	11,258		62,283
Minority interests	3,475	–	–		–	3,475	950	4,425
	9,983	36,816	4,750		4,750	14,733		66,708

Notes:

a) Column C represents the reclassification of balances of Prowealth to conform with the presentation of the Group consistently.

b) The adjustment represents, as if the Very Substantial Acquisition had been completed on 31 December 2007, (i) the elimination of the issued share capital of Prowealth; (ii) the elimination of the pre-acquisition reserves of Prowealth of US$4,750,000; (iii) the issue of 3,756,840,000 SPA Consideration Shares of the Company to the Vendor with market price of HK$0.101 on 31 December 2007; (iv) the issue of SPA Convertible Notes comprising an equity component amounting to US$6,815,000 and a liability component amounting to US$13,948,000 with insignificant value of the early redemption option of the SPA Convertible Notes on the assumption of the effective interest rate at 13.65% per annum; the liability component is measure at fair value using discount cash flow method and the difference between the gross proceeds of the issue of the SPA Convertible Notes and the fair value assigned to the liability component is included in equity; (v) the 20% share of net assets of Prowealth Group by minority interest of US$950,000; and (vi) the goodwill of US$65,923,000 arising from the Very Substantial Acquisition. The goodwill is estimated on the assumption that the fair value of the identified assets, liabilities and contingent liabilities of Prowealth is the same as the carrying amount of the net assets of Prowealth Group as at 31 December 2007.

c) The pro forma financial information has not taken into account for 20% equity interest in Prowealth Group previously acquired by the Company as announced on 29 February 2008.

d) The expenses attributable to the Very Substantial Acquisition have not been accounted for in the preparation of the unaudited pro forma financial information as such costs cannot be determined accurately at this stage.

2. Unaudited pro forma consolidated income statement of the Enlarged Group

This unaudited pro forma consolidated income statement of the Enlarged Group is prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Very Substantial Acquisition assuming it had been completed as of 1 January 2007.

The unaudited pro forma consolidated income statement of the Enlarged Group has been prepared based on the audited consolidated income statement of the Group as extracted from the Company's published annual report for the year ended 31 December 2007 and the audited consolidated income statement of Prowealth for the period ended 31 December 2007 as extracted from the Accountants' Report on the financial information of Prowealth Group as set out in Appendix II of this Circular that are (i) directly attributable to the transaction; and (ii) factually supportable. Accordingly, the unaudited consolidated income statement of the Enlarged Group is prepared for illustrative purposes only and because of its nature may not give a true picture of the results of the Enlarged Group for the year ended 31 December 2007 or any future period.

	Fulbond Group	**Prowealth Group**	**Prowealth Group**	**Subtotal**	**Pro forma adjustments**		**Pro forma Enlarged Group**
			USD1/ HKD7.75		*Note a*	*Note b*	**Total**
	A		**B**	**C=A+B**	**D**	**E**	**F=C+D+E**
	US$'000	*HK$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Turnover	24,016	134,628	17,371	41,387			41,387
Cost of Sales	(19,299)	(117,050)	(15,103)	(34,402)			(34,402)
Gross profit	4,717	17,578	2,268	6,985			6,985
Other income	1,694	4,274	551	2,245			2,245
Excess over the cost of a business combination recognised in the consolidated income statement	–	25,595	3,303	3,303			3,303
Selling and distribution costs	(3,952)	(4,050)	(523)	(4,475)			(4,475)
Administrative expenses	(4,776)	(4,611)	(595)	(5,371)			(5,371)
Other operating expenses	(5,016)	–	–	(5,016)			(5,016)
Impairment loss recognised in respect of property, plant and equipment	(172)	–	–	(172)			(172)
Finance costs	(915)	(4,504)	(581)	(1,496)	(1,575)		(3,071)
Gain on disposal of associates	559	–	–	559			559
Share of results of associates	(319)	–	–	(319)			(319)
(Loss)/profit before taxation	(8,180)	34,282	4,423	(3,757)			(5,332)
Taxation	(586)	–	–	(586)			(586)
(Loss)/profit for the year	(8,766)	34,282	4,423	(4,343)			(5,918)
Attributable to:							
Equity holders of the Company	(7,455)	34,282	4,423	(3,032)	(1,575)	(250)	(4,857)
Minority interests	(1,311)	–	–	(1,311)		250	(1,061)
	(8,766)	34,282	4,423	(4,343)			(5,918)

Notes:

a) The adjustment is to account for the effective interest expense on SPA Convertible Notes of US$1,575,000, which is calculated at an assumed effective interest rate of 13.65% per annum as if the SPA Convertible Notes were issued by the Company as at 1 January 2007, being adjusted solely for the purpose of this pro forma consolidated income statement and assuming that Prowealth had been in existance as at 1 January 2007.

b) The adjustment is to reflect the 20% share of profit of Prowealth Group by minority interest after the Very Substantial Acquisition. The pro forma financial information has not taken into account the 20% equity interest in Prowealth Group previously acquired by the Company as announced on 29 February 2008.

c) Prowealth was incorporated on 17 May 2007. On 1 September 2007, Prowealth acquired its existing subsidiaries, being Pride Joy Holdings Limited, Smart Chance Holdings Limited and Yield On International Limited, and become the holding company of Prowealth Group since that date. The unaudited pro forma consolidated income statement only includes the results of Prowealth Group for the period from 1 September 2007 to 31 December 2007. The pro forma consolidated income statement has been prepared as if Prowealth was in existence as at 1 January 2007.

3. Unaudited pro forma consolidated cash flow statement of the Enlarged Group

This unaudited pro forma consolidated cash flow statement of the Enlarged Group is prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Very Substantial Acquisition assuming it had been completed as of 1 January 2007.

The unaudited pro forma consolidated cash flow statement of the Enlarged Group has been prepared based on the audited consolidated cash flow statement of the Group as extracted from the Company's published annual report for the year ended 31 December 2007 and the consolidated cash flow statement of Prowealth for the period ended 31 December 2007 as set out in Appendix II of this Circular after making pro forma adjustments relating to the Very Substantial Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable. Accordingly, the unaudited consolidated cash flow statement of the Enlarged Group is prepared for illustrative purposes only and because of its nature may not give a true picture of the cashflows of the Enlarged Group for the year ended 31 December 2007 or any future period.

	Fulbond Group	Prowealth Group	Prowealth Group (Translated) USD1/ HKD7.75	Reclassification	Prowealth Group (Reclassified)	Subtotal	Pro forma adjustment	Pro forma Enlarged Group Total
				Note a			*Note b*	
	A		B	C	D=B+C	E=A+D	F	G=E+F
	US$'000	*HK$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Operating activities								
(Loss) profit before taxation	(8,180)	34,282	4,423		4,423	(3,757)	(1,575)	(5,332)
Adjustments for:								
Amortisation of prepaid lease payments	118	115	15		15	133		133
Depreciation of property, plant and equipment	3,100	1,363	176		176	3,276		3,276
Interest income	(46)	(27)	(3)		(3)	(49)		(49)
Interest expenses	915	4,504	581		581	1,496	1,575	3,071
Share of results of associates	319	–	–		–	319		319
(Gain) loss on disposal of property, plant and equipment	(43)	–	–		–	(43)		(43)
Recognition of share-based payments	4,003	–	–		–	4,003		4,003
Gain on disposal of associates	(559)	–	–		–	(559)		(559)
Allowance of bad and doubtful debts	1,021	–	–		–	1,021		1,021
Write down of inventories to net realisable value	424	–	–		–	424		424
Impairment loss recognised in respect of property, plant and equipment	172	–	–		–	172		172
Impairment of goodwill	–	1,004	130		130	130		130
Excess over the cost of a business combination recognised in the income statements	–	(25,595)	(3,303)		(3,303)	(3,303)		(3,303)
Operating cash flows before movements in working capital	1,244	15,646	2,019		2,019	3,263		3,263
Increase in inventories	(793)	(8,073)	(1,042)		(1,042)	(1,835)		(1,835)
Decrease/(increase) in trade and other receivables	2,342	(47,785)	(6,166)	(969)	(7,135)	(4,793)		(4,793)
(Increase)/decrease in deposits and prepayments	(294)	5,349	690	969	1,659	1,365		1,365
Increase/(decrease) in trade and other payables	2,202	(6,066)	(783)	(425)	(1,208)	994		994
Decrease in accrued liabilities and other payables	–	(3,290)	(425)	425	–	–		–
Cash generated from (used in) operations	4,701	(44,219)	(5,707)		(5,707)	(1,006)		(1,006)
PRC Enterprise Income Tax paid	(305)	–	–		–	(305)		(305)
Interest paid on bank borrowings	–	(4,504)	(581)	581	–	–		–
Net cash from (used in) operating activities	4,396	(48,723)	(6,288)		(5,707)	(1,311)		(1,311)

	Fulbond Group	Prowealth Group	Prowealth Group USD1/ HKD7.75	Reclassification	Prowealth Group (Reclassified)	Subtotal	Pro forma adjustment	Pro forma Enlarged Group Total
				Note a			*Note b*	
	A		B	C	D=B+C	E=A+D	F	G=E+F
	US$'000	*HK$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Investing activities								
Purchase of property, plant and equipment	(772)	(13,340)	(1,721)		(1,721)	(2,493)		(2,493)
Purchase of land use rights	–	(3,454)	(446)		(446)	(446)		(446)
Interest received	46	27	3		3	49		49
Acquisition of subsidiaries	–	33,421	4,312		4,312	4,312		4,312
Proceeds from disposal of property, plant and equipment	6	–	–		–	6		6
Proceeds from disposal of associates	605	–	–		–	605		605
Proceeds from disposal of prepaid lease payments	107	–	–		–	107		107
Net cash (used in) generated from investing activities	(8)	16,654	2,148		2,148	2,140		2,140
Financing activities								
Interest paid	(915)	–	–	(581)	(581)	(1,496)		(1,496)
Issue of new shares	–	1	–		–	–		–
New bank loans raised	9,084	48,927	6,313		6,313	15,397		15,397
Repayments of bank loans	(9,084)	(30,180)	(3,894)		(3,894)	(12,978)		(12,978)
Issue of promissory notes	–	24,896	3,212		3,212	3,212		3,212
Advance from a director	–	18,652	2,407		2,407	2,407		2,407
Advance from directors of subsidiaries	–	9,209	1,188		1,188	1,188		1,188
Advance to related companies	–	(23,609)	(3,046)		(3,046)	(3,046)		(3,046)
Repayment from related companies	–	8,542	1,102		1,102	1,102		1,102
Repayment to associates	(389)	–	–		–	(389)		(389)
Advances from a former associate	49	–	–		–	49		49
Dividend paid to minority shareholders of a subsidiary	(784)	–	–		–	(784)		(784)
Advance from a shareholder	702	–	–		–	702		702
Net cash (used in) generated from financing activities	(1,337)	56,438	7,282		6,701	5,364		5,364
Net increase in cash and cash equivalents	3,051	24,369	3,142		3,142	6,193		6,193
Cash and cash equivalents at 1 January	3,661	–	–		–	3,661		3,661
Effect of changes in foreign exchange rates	176	(118)	(15)		(15)	161		161
Cash and cash equivalents at 31 December, represented by bank balances and cash	6,888	24,251	3,127		3,127	10,015		10,015

Notes:

a) Column C represents the reclassification of balances of Prowealth to conform with the presentation of the Group consistently.

b) The adjustment is to account for the effective interest expense on SPA Convertible Notes of US$1,575,000, which is calculated at an assumed effective interest rate of 13.65% per annum as if the SPA Convertible Notes were issued by the Company as at 1 January 2007, being adjusted solely for the purpose of this pro forma consolidated cash flow statement and assuming that Prowealth had been in existence as at 1 January 2007.

c) Prowealth was incorporated on 17 May 2007. On 1 September 2007, Prowealth acquired its existing subsidiaries, being Pride Joy Holdings Limited, Smart Chance Holdings Limited and Yield On International Limited, and become the holding company of Prowealth Group since that date. The unaudited pro forma consolidated cash flow statement only includes the cash flows of Prowealth Group for the period from 1 September 2007 to 31 December 2007. The pro forma consolidated cash flow statement has been prepared as if Prowealth was in existance as at 1 January 2007.

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 31 May 2008 of the Properties held by the Enlarged Group.

Asset Appraisal Limited
資產評值顧問有限公司

Rm 1303 13/F Beverly House
No. 93-107 Lockhart Road Wanchai HK
香港灣仔駱克道93-107號
利臨大廈13樓1303室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

30 June 2008

The Board of Directors
Fulbond Holdings Limited
Unit 2805 on 28th Floor
The Center
99 Queen's Road Central
Hong Kong

Dear Sirs,

Re: Valuation of various properties in Hong Kong and the People's Republic of China (the "PRC")

In accordance with the instructions from **Fulbond Holdings Limited** (the "Company") to value the captioned property interests (the "Properties") held by the Company, Prowealth Holdings Group Limited or its subsidiaries (altogether referred to as the "Enlarged Group"), we confirm that we have carried out inspections of the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at **31 May 2008** (the "date of valuation").

BASIS OF VALUATION

Our valuation of the Properties represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

TITLESHIP

We have been provided with copies of legal documents regarding the Properties. In addition, we have caused searches to be made at the appropriated Land Registry for the properties in Hong Kong. However, we have not verified ownership of the Properties and the existence of any encumbrances that would affect its ownership.

We have also relied upon the legal opinion provided by the PRC legal advisers, namely Fujian Chuangyuan Law Firm (福建創元律師事務所, the "PRC Legal Opinion"), to the Company on the relevant laws and regulations in the PRC, on the nature of the Enlarged Group's land use rights in the Properties. Its material content has been summarized in the valuation certificate attached herewith.

VALUATION METHODOLOGY

The Properties are valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

For nature of buildings and structures of the properties numbered 2 and 3 where no known market can be identified, we have adopted the Depreciated Replacement Cost Methods to value them. It is a method of using current replacement costs to arrive at the fair value of a property in existing state as at the date of valuation. This method of valuation requires an estimate of the market value of the land in its existing use (if any) and an estimate of the new replacement cost of the buildings and other site works, from which deductions are then made to allow for age, condition, functional obsolescence, etc.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Properties on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Properties.

As the Properties are held by the owner by means of long term Land Use Rights granted by the Government, we have assumed that the owners have free and uninterrupted rights to use the Properties for the whole of the unexpired term of the land use rights.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, tenancy and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the Properties but have assumed that the floor areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the buildings and structures of the Properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Remarks

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1st January 2005.

Unless stated as otherwise, all opinion of market value of the Properties are denominated in Hong Kong Dollar (HK$). Whenever necessary, an exchange rate of HK$1 to Renminbi (RMB) 0.89 as prevailing on the valuation date has been adopted for currency translation.

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited
Sandra Lau
MFin MHKIS AAPI RPS(GP)
Director

Sandra Lau is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. She is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

SUMMARY OF VALUATION

Group I – Property Held and Occupied by the Enlarged Group in Hong Kong

	Property	Market value in existing states as at 31 May 2008
1.	15th Floor Sing-Ho Finance Building Nos.166-168 Gloucester Road Hong Kong	HK$4,800,000
	Sub-total:	**HK$4,800,000**

Group II – Properties Held and Occupied by the Enlarged Group in the PRC

2.	Land, various buildings and structure of 海南佳德信食品有限公司 (Hainan Jiadexin Foodstuff Co., Ltd.) Qiong Shan Avenue Lingshan Town Haikou City Hainan Province the PRC	HK$15,500,000
3.	Land, various buildings and structure of 茂名長興食品有限公司 (Maoming Chang Xing Foods Co., Ltd.) No.106 Guangnan Road, Shuidong Town Dianbai County Maoming City Guangdong Province the PRC	HK$40,700,000
4.	Composite Building at No.108 Guangnan Road, Shuidong Town Dianbai County Maoming City Guangdong Province the PRC	HK$13,000,000
	Sub-total:	**HK$69,200,000**

Group III – Property Held by the Enlarged Group for Future Development in the PRC

	Property	Market value in existing states as at 31 May 2008
5.	Development Site in Minying Science and Technology Industrial Park Shuidong Town Dianbai County Maoming City Guangdong Province the PRC	HK$5,600,000
	Sub-total:	**HK$5,600,000**

Group IV – Property Rented by the Enlarged Group in the PRC

6.	Land, various buildings and structure of Jilin Fudun Timber Co., Ltd No.6 Tiedong Alley Bohai Street Dunhua Development Area Dunhua City Jilin Province the PRC	No Commercial Value
	Grand total:	**HK$79,600,000**

VALUATION CERTIFICATE

Group I – Property Held and Occupied by the Enlarged Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 May 2008 *HK$*
1.	15th Floor Sing-Ho Finance Building Nos.166-168 Gloucester Road Hong Kong 16/460th shares of and in the Remaining Portion of Section C, the Remaining Portion of Section F and the Remaining Portion of Marine Lot No.440 (the "Lot").	The property comprises the entire office premises on 15th floor of a 25-storey office building with commercial area on ground floor and main lift lobby on upper ground floor. The property was completed in 1981. The gross floor area and saleable area of the property are of 1,770 square feet (164.44 square metres) and 1,289 square feet (119.75 square metres) respectively. The Lot is held under a Government lease for a term of 99 years commencing on 1 July 1927 and the lease term is renewable for a further term of 99 years. The current government rent payable for the Lot is HK$260. per annum.	The property is currently occupied by the Enlarged Group as offices.	4,800,000

Notes:

1. According to the Land Registration Details retrieved from the Hong Kong Land Registry, the registered owner of the property is Ta Fu Properties Co., Limited which is a wholly-owned subsidiary of the Company via memorial no.UB6528886 dated 22 January 1996.

2. No encumbrance was registered against the Property as at the date of valuation.

3. The property is falling within an area currently zoned "Commercial/Residential" under the Wanchai Outline Zoning Plan No. S/H5/25.

VALUATION CERTIFICATE

Group II – Properties Held and Occupied by the Enlarged Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 May 2008 *HK$*
2.	Land, various buildings and structure of 海南佳德信食品有限公司 (Hainan Jiadexin Foodstuff Co., Ltd.) Qiong Shan Avenue Lingshan Town Haikou City Hainan Province the PRC	The property comprises two parcels of adjoining land with a total area of 25,352.96 square metres on which various blocks of single to 2-storey buildings are erected. They were completed in 2005. The property has a total gross floor area of approximately 8,819.52 square metres. The land use right in the subject land parcels are held for a term expiring on 20 June 2054.	As at the date of our inspection, the property was occupied by the Enlarged Group as workshops, warehouses and dormitories.	15,500,000

Notes:

1. Pursuant to the Land Use Rights Grant Agreement entered into between 海南佳德信食品有限公司 (Hainan Jiadexin Foodstuff Co., Ltd.) and 瓊山市江東新市開發建設管理委員會 (transliterated as Development and Construction Management Committee of Qiong Shan City Jiangdong New City Area) issued on 27 November 2002, the former acquired the land use rights of the property with the area of 26,625.347 square metres from the latter.

2. As stipulated in two sets of Land Use Rights Certificate (Ref.Nos. Haikou City Guo Yong (2004) Di 001425 and Haikou City Guo Yong (2007) Di 002167) dated 30 June 2004 and 12 April 2007 respectively, the land use rights in the two subject land parcels namely lot nos. 03-13-10-359 and 01-09-09-43 are held by 海南佳德信食品有限公司 (Hainan Jiadexin Foodstuff Co., Ltd.), a wholly-owned subsidiary of the Enlarged Group, for a term expiring on 20 June 2054 for industrial uses.

3. As stipulated in the Building Ownership Certificate (Ref.No. Haikou City Fang Quan Zhen Hai Fang Zhi Di HK 131376) dated 30 April 2006, a 2-storey factory industrial building of the property with a gross floor area of 6,734.52 square metres is held by 海南佳德信食品有限公司 (Hainan Jiadexin Foodstuff Co., Ltd.) for industrial and office purposes.

4. For the buildings and structures other than the aforesaid industrial building (as mentioned in footnote no.3 above) with a total gross floor area of 2,085 square metres of which building ownership certificate is not available, we have ascribed no commercial value to them in our valuation.

5. One of the subject land parcel with an area of 20,943.95 square metres and the aforesaid 2-storey industrial building are subject to a mortgage in favour of the Agricultural Development Bank of China-Hainan Province Branch and the mortgage registration has been completed.

6. Opinion of the PRC Lawyer on the property is summarized as follows:

   6.1 the land use rights in the two subject land parcels namely lot nos. 03-13-10-359 and 01-09-09-43 with respective areas of 20,943.95 square metres and 4,409.01 square metres are held by 海南佳德信食品有限公司 (Hainan Jiadexin Foodstuff Co., Ltd.) for a term expiring on 20 June 2054 for industrial uses;

   6.2 the Building Ownership Certificate of the aforesaid 2-storey industrial building with a gross floor area of 6,734.52 is legally held by 海南佳德信食品有限公司 (Hainan Jiadexin Foodstuff Co., Ltd.);

   6.3 海南佳德信食品有限公司 (Hainan Jiadexin Foodstuff Co., Ltd.) has the rights to transfer, lease out or mortgage the land use rights and the aforesaid 2-storey industrial building;

   6.4 the land use rights in the property and the aforesaid 2-storey industrial building are free from any assignment, leasing, unsettled litigation, arbitration and are not subject to seizure and administrative custody by the government; and

   6.5 one of the subject land parcel with an area of 20,943.95 square metres and the aforesaid 2-storey industrial building are subject to a mortgage in favour of the Agricultural Development Bank of China-Hainan Province Branch and the mortgage registration has been completed.

VALUATION CERTIFICATE

Group II – Properties Held and Occupied by the Enlarged Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 May 2008 *HK$*
3.	Land, various buildings and structure of 茂名長興食品有限公司 (transliterated as Maoming Chang Xing Foodstuff Co., Ltd.) No.106 Guangnan Road, Shuidong Town Dianbai County Maoming City Guangdong Province the PRC	The property comprises two parcels of adjoining land with a total area of 46,398.26 square metres on which various blocks of single to 4-storey buildings are erected. They were fully completed in 2006. The property has a total gross floor area of approximately 17,437.02 square metres. The land use rights in the subject land parcels are held for terms expiring on 12 February 2054 and 8 June 2056 respectively.	As at the date of our inspection, the property was occupied by the Enlarged Group as workshops, warehouses and dormitories.	40,700,000

Notes:

1. As stipulated in two sets of Land Use Rights Certificate (Ref. Nos. Dian Guo Yong (2006) Di 0222 and Diao Guo Yong (2006) Di 01649), the land use rights in the subject land parcels namely lot nos. 0605023-1 and 0606023-2 are held by 茂名長興食品有限公司 (Maoming Chang Xing Foods Co., Ltd.), a wholly-owned subsidiary of the Enlarged Group, for terms expiring on 12 February 2054 and 8 June 2056 respectively for industrial use.

2. As stipulated in 8 sets of Building and Land Ownership Certificate (Ref.Nos. Yue Fang Di Zhen Zhi Di C3681074 to C3681080 and C3681086), 8 buildings of the property with a gross floor area of 16,382.40 square metres are held by 茂名長興食品有限公司 (Maoming Chang Xing Foods Co., Ltd.).

3. For the buildings and structures other than the aforesaid buildings (as mentioned in footnote no.2 above) with a total gross floor area of 1,054.62 square metres of which building ownership certificate is not available, we have ascribed no commercial value to them in our valuation.

4. Opinion of the PRC Lawyer on the property is summarized as follows:

   4.1 the land use rights in one of the two subject land parcels namely lot no. 0605023-1 with an area of 39,786.70 square metres are held by 茂名長興食品有限公司 (Maoming Chang Xing Foods Co., Ltd.) for a term expiring on 12 February 2054 for industrial uses;

   4.2 the land use rights in the another land parcel namely lot no. 0605023-2 with an area of 6,611.56 square metres are held by茂名長興食品有限公司 (Maoming Chang Xing Foods Co., Ltd.) for a term expiring on 8 June 2056 for industrial use;

   4.3 the 8 sets of Building and Land Ownership Certificates as stated in footnote no.2 above are legally held by茂名長興食品有限公司 (Maoming Chang Xing Foods Co., Ltd.);

   4.4 茂名長興食品有限公司 (Maoming Chang Xing Foods Co., Ltd.) has the rights to transfer, lease out or mortgage the land use rights and the aforesaid 8 buildings of the property;

   4.5 the land use rights in the property and the aforesaid 8 buildings are free from any assignment, leasing, unsettled litigation, arbitration and are not subject to seizure and administrative custody by the government; and

   4.6 the land use rights in the property and the aforesaid 8 buildings as stated in footnote no.2 above are subject to a mortgage in favour of the Agricultural Development Bank of China – Dianbai Branch and the mortgage registration has been completed.

5. The land use rights in the property and the aforesaid 8 buildings as stated in footnote no.2 above are subject to a mortgage in favour of the Agricultural Development Bank of China – Dianbai Branch and the mortgage registration has been completed.

VALUATION CERTIFICATE

Group II – Properties Held and Occupied by the Enlarged Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 May 2008 *HK$*
4.	Composite Building at No.108 Guangnan Road, Shuidong Town Dianbai County Maoming City Guangdong Province the PRC	The property comprises a parcel of land with an area of 3,441.81 square metres on which an 8-storey residential building is erected. The building was completed in 1999. The property has a total gross floor area of approximately 7,528.69 square metres. The subject land parcel is held for the land use right term expiring on 15 November 2056.	As at the date of our inspection, the property was occupied by the Enlarged Group as staff quarters and ancillary offices.	13,000,000

Notes:

1. Pursuant to an Agreement for Sale and Purchase issued on 10 December 2007, the property was acquired by 茂名長興食品有限公司 (Maoming Chang Xing Foods Co., Ltd.), a wholly-owned subsidiary of the Enlarged Group, at a consideration of RMB 11,137,640. As confirmed by the Enlarged Group, the aforesaid purchase price has been fully settled.

2. As stipulated in the Land Use Rights Certificate (Ref. No. Dian Guo Yong (2008) Di 133) and the Building and Land Ownership Certificate (Ref. No. Yue Fang Di Zhen Zhi Di C5830184), the subject land parcel namely lot no. 0601150 and the composite property are held by 茂名長興食品有限公司 (Maoming Chang Xing Foods Co., Ltd.).

3. Opinion of the PRC Lawyer on the property is summarized as follows:

   3.1 the land use rights in the subject land parcel namely 0601150 with an area of 3,441.81 square metres are held by 茂名長興食品有限公司 (Maoming Chang Xing Foods Co., Ltd.) for a term expiring on 15 November 2056 for composite use;

   3.2 the Building and Land Ownership Certificate of the 8-storey building of the property is legally held by 茂名長興食品有限公司 (Maoming Chang Xing Foods Co., Ltd.) for residential use;

   3.3 茂名長興食品有限公司 (Maoming Chang Xing Foods Co., Ltd.) has the rights to transfer, lease out or mortgage the land use rights and the 8-storey buildings of the property;

   3.4 the land use rights in the property and the 8-storey building of the property are free from any assignment, leasing, unsettled litigation, arbitration and are not subject to seizure and administrative custody by the government; and

   3.5 the land use rights in the property and the 8-storey building of the property are subject to a mortgage in favour of the Agricultural Development Bank of China – Dianbai Branch and the mortgage registration is under application.

4. The land use rights in the property and the 8-storey building of the property are subject to a mortgage in favour of the Agricultural Development Bank of China – Dianbai Branch and the mortgage registration is under application.

VALUATION CERTIFICATE

Group III – Property Held by the Enlarged Group for Future Development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 May 2008 *HK$*
5.	Development Site in Minying Science and Technology Industrial Park Shuidong Town Dianbai County Maoming City Guangdong Province the PRC	The property comprises a parcel of land with an area of 16,593.75 square metres on which a 2-storey industrial building and a 3-storey warehouse building are planned to be built. According to the development scheme provided by the Enlarged Group, the proposed development will provide a total gross floor area of 40,773.46 square metres upon completion. The land use rights in the subject land parcel are held for a term expiring on 13 April 2055.	As at the date of our inspection, the property was vacant.	5,600,000

Notes:

1. Pursuant to the Land Use Rights Transfer Contract issued on 25 March 2008, the land use rights in the property were acquired by 茂名嘉興食品有限公司 (Maoming Jia Xing Foods Co., Ltd.), a wholly-owned subsidiary of the Enlarged Group, at a consideration of RMB 4,782,000. As confirmed by the Enlarged Group, the aforesaid purchase price has been fully settled.

2. As stipulated in the Land Use Rights Certificate (Ref. No. Dian Guo Yong (2008) Di00524) dated 20 May 2008, the subject land parcel namely lot no. 0606035 is held by 茂名嘉興食品有限公司 (Maoming Jia Xing Foods Co., Ltd.) for a term expiring on 13 April 2055 for industrial uses.

3. Opinion of the PRC Lawyer on the property is summarized as follows:

   3.1 the land use rights in the subject land parcel namely lot no. 0606035 with an area of 16,593.75 square metres are held by 茂名嘉興食品有限公司 (Maoming Jia Xing Foods Co., Ltd.) for a term expiring on 13 April 2055 for industrial uses;

   3.2 茂名嘉興食品有限公司 (Maoming Jia Xing Foods Co., Ltd.) has the rights to transfer, lease out or mortgage the land use rights; and

   3.3 the land use rights in the property are free from any registered mortgage, assignment, leasing, unsettled litigation, arbitration and are not subject to seizure and administrative custody by the government.

VALUATION CERTIFICATE

Group IV – Property Rented by the Enlarged Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 May 2008 *HK$*
6.	Land, various buildings and structure of Jilin Fudun Timber Co., Ltd. No.6 Tiedong Alley Bohai Street Dunhua Development Area Dunhua City Jilin Province the PRC	The property comprises a parcel of land with an area of about 200,937.6 square metres on which various buildings and structures are erected. They were completed in between 1996 and 1998. The total gross floor area of the aforesaid buildings and structures is 29,974.51 square metres. The subject land parcel is held by the Enlarged Group under leasehold interest for unspecified term at a currently annual land rental of RMB 60,000.	The property is currently occupied by Jilin Fudun Timber Company, Limited for manufacturing particle board, door skin and high density fibre board.	No Commercial Value

Notes:

1. As stipulated in the Land Use Rights Certificate (Ref. No. Dun Guo Yong 2001 Zhi Di 030394) dated 3 February 2001 and endorsed by the Land Administration Bureau of Dunhua City, the leasehold interest in the property is held by Jilin Fudun Timber Co., Ltd. (吉林福敦木業有限公司), a 67% – owned subsidiary of the Enlarged Group, for industrial purpose for an unspecified term.

2. As stipulated in 10 sets of Building Ownership Certificate (Ref. Nos. Dun Fang Quan Zhen Cheng Zhi Di 0013886 to 0013894 and 0061832) all dated 16 April 2001, the subject buildings of the property with a total gross floor area of 29,974.51 square metres are held by Jilin Fudun Timber Co., Ltd. (吉林福敦木業有限公司).

3. As the subject land parcel is held by the Enlarged Group under leasehold interest for an unspecified term, we have ascribed no commercial value to the Enlarged Group's interests in the subject land. As far as the subject buildings are concerned, they are all attached to the leasehold land and shall be returned to the landlord when the land is reverted to the landlord upon termination of the leasehold interest. Therefore, we have also ascribed no commercial value to the subject buildings in our valuation.

4. PRC Legal Adviser has confirmed in their written opinion that:–

   4.1 the leasehold land use rights in the subject land parcel namely lot no. 58-05-21 with an area of 200,937.6 square metres of the property are held by Jilin Fudun Timber Co., Ltd. (吉林福敦木業有限公司) for industrial uses;

   4.2 the 10 sets of Building Ownership Certificates as stated in the footnote no.2 are legally held by Jilin Fudun Timber Co., Ltd. (吉林福敦木業有限公司);

   4.3 upon completion the relevant legal procedures, the leasehold land use rights in the property can be leased or mortgaged;

   4.4 Jilin Fudun Timber Co., Ltd. (吉林福敦木業有限公司) has the rights to transfer, lease out or mortgage the 10 subject buildings of the property;

   4.5 the leasehold land use rights and the 10 buildings of the property are free from any assignment, leasing, unsettled litigation, arbitration and are not subject to seizure and administrative custody by the government; and

   4.6 the land use rights in the property and 9 buildings of the property with a total gross floor area of 27,210.51 square metres are subject to a mortgage in favour of the Agricultural Bank of China – Dunhua Branch and the mortgage registration has been completed.

5. The land use rights in the property and 9 buildings of the property with a total gross floor area of 27,210.51 square metres are subject to a mortgage in favour of the Agricultural Bank of China – Dunhua Branch and the mortgage registration has been completed.

Property Reconciliation

Property	(No.1) 15th Floor Sing-Ho Finance Building Nos.166-168 Gloucester Road Hong Kong	(No.2) Land, various buildings and structure of Hainan Jiadexin Foodstuff Co., Ltd. Qiong Shan Avenue Lingshan Town Haikou City Hainan Province the PRC	(No.3) Land, various buildings and structure of Maoming Chang Xing Foodstuff Co., Ltd. No.106 Guangnan Road, Shuidong Town Dianbai County Maoming City Guangdong Province the PRC	(No.4) Composite Building at No.108 Guangnan Road, Shuidong Town Dianbai County Maoming City Guangdong Province the PRC
Carrying amount as at 31 December 2007 *(Note 1)*	HK$4,840,000	HK$14,549,000	HK$39,821,000	HK$ 11,892,000
Revaluation Surplus / (Deficit) of 100% property interest	HK$ (40,000)	HK$ 951,000	HK$ 879,000	HK$ 1,108,000
Valuation Report as at 31 May 2008	HK$4,800,000	HK$15,500,000	HK$40,700,000	HK$13,000,000.

Property	(No.5) Development Site in Minying Science and Technology Industrial Park Shuidong Town Dianbai County Maoming City Guangdong Province the PRC	(No.6) Land, various buildings and structure of Jilin Fudun Timber Co., Ltd No.6 Tiedong Alley Bohai Street Dunhua Development Area Dunhua City Jilin Province the PRC
Carrying amount as at 31 December 2007 *(Note 1)*	HK$5,393,000	No Commercial Value
Revaluation Surplus / Deficit of 100% property interest	HK$ 207,000	N/A
Valuation Report as at 31 May 2008	HK$5,600,000	No Commercial Value

Notes:–

1. extracted from the consolidated financial information of Prowealth.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital as at the Latest Practicable Date and upon issue of the SPA Consideration Shares and full conversion of the SPA Convertible Notes (to the extent the conversion rights of the SPA Convertible Notes could be exercised) are as follows:

Authorized share capital		*US$*
100,000,000,000	Shares	100,000,000.00
Issued and fully up or credited as fully paid		
9,197,779,755	Shares as at the Latest Practicable Date	9,197,779.75
3,756,840,000	SPA Consideration Shares to be issued	3,756,840
1,504,053,219	SPA Conversion Shares to be issued upon the exercise of the SPA Convertible Notes (assuming the SPA Convertible Notes are converted at the initial conversion price of HK$0.086 to the extent the conversion rights of the SPA Convertible Notes could be exercised)	1,504,053.21
14,458,672,974	Shares upon Completion	14,458,672.96

On 21 January 2008, a total of 1,500,000,000 unlisted Warrants were issued to not less than six independent placees at a subscription price of HK$0.074 per Share (subject to adjustments). On 30 May 2008, the Previous SPA Convertible Note was issued to Sun Boom entitling Sun Boom to receive 1,406,976,744 Shares upon full conversion of the Previous SPA Convertible Note. Save as disclosed herein, there were no outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register kept by the Company; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long positions in Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company
Mr Zhang Xi	Interest of controlled corporation *(Note)*	2,092,826,000	22.75%

Note: Mr Zhang Xi is the beneficial owner of 2,092,826,000 Shares. He is deemed to be interested in those Shares which are held by Civil Talent International Limited ("CTIL"), the entire issued share capital of which is beneficially owned by him.

(ii) Share options of the Company

The Company adopted a share option scheme as approved in a special general meeting held on 19 November 2001 pursuant to which the Board may, at their discretion, invite any executive directors, non-executive directors, executives, employees of the Group and any other persons who have contributed or will contribute to the Group to take up share options to subscribe for Shares subject to the terms and conditions stipulated in the share option scheme. Details of share options granted to the Directors as at the Latest Practicable Date are as follows:

Name of Director	Date of grant	Exercise price per share	Number of share options as at the Latest Practicable Date	Exercise period
Mr. Zhang Xi	13 July 2007	HK$0.153	32,353,000	13 July 2007 – 12 July 2010
Ms. Catherine Chen	13 July 2007	HK$0.153	91,617,000	13 July 2007 – 12 July 2010

(iii) Share options to subscribe for shares in Wood Art International Corporation ("Wood Art")

Pursuant to the Company's shareholders' approval in the special general meeting held on 18 June 2004, the share options scheme of Wood Art, a subsidiary of the Company, became effective. As at the Latest Practicable Date, there were no outstanding share options to subscribe for shares in Wood Art.

Save as disclosed above, none of the Directors were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholder

As at the Latest Practicable Date, so far as is known to any Director or chief executive of Company, the following person had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any other member of the Group:

Long positions in Shares

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company
CTIL *(Note)*	Beneficial owner	2,092,826,000	22.75%

Note: Mr. Zhang Xi, an executive Director, is the sole director and beneficial owner of CTIL.

Save as disclosed above, the Directors are not aware of any person, who, as at the Latest Practicable Date, had interests or short positions in the Shares, underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) were entered into by members of the Enlarged Group within the two years preceding the Latest Practicable Date and are or may be material:–

1. the sale and purchase agreement dated 20th March 2007 entered into between the Company as the vendor and Silverplus Investment Limited as the purchaser relating to the sale and purchase of the entire securities interest in Fulhua Microelectronics Corporation held by the Company in consideration of US$340,000 (or approximately HK$2,652,000);

2. the share transfer agreement dated 19 September 2007 entered into between Ta Fu Timber Company Limited, a wholly-owned subsidiary of the Company as the vendor and Hubei Timber Group Company Limited as the purchaser relating to the transfer of 48% equity interest in Hubei Fuhan Timber Limited in consideration of RMB 2,000,000 (approximately HK$2,200,000);

3. the settlement agreement dated 19 December 2007 entered into between Jilin Province Fuchun Timber Co., Ltd. ("Julin Fuchun"), an indirect 55% owned subsidiary of the Company and Jilin Forest Industrial Group Limited ("Julin Forest") regarding the settlement arrangement by transferring certain lands and building and machineries and equipment of Jilin Fuchun to settle the debt owned by Jilin Fuchun to Jilin Forest with the then outstanding amount of RMB 9,200,000 (approximately HK$10,120,000);

4. the conditional placing agreement dated 20 December 2007 entered into between the Company and IBTS Asia (HK) Limited for the placing of up to 1,839,000,000 non-listed warrants of the Company at the issue price of HK$0.001 per unit of warrant;

5. the subscription agreement entered into between Sun Boom and Prowealth on 21 February 2008 for the issuance of the Prowealth Convertible Note in the amount of US$10,000,000 (approximately HK$78,000,000)

6. the agreement entered into between Hong Kong Hongtu Investment Limited* and Mr Liang Zhen Mei* for sale and purchase of the entire equity interest in Maoming Jiaxing Foods Co., Limited in consideration of RMB 4,800,000 (approximately HK$5,280,000) dated 21 May 2008;

7. the settlement agreement dated 27 May 2008 to reduce and settle the subscription price of the Prowealth Convertible Bond.

* *For identification purpose only*

8. the agreement relating to the disposal of 55% equity interest in Jilin Province Fuchun Timber Co., Ltd.* ("Jilin Fuchun") to Jilin Provinces Sanchazi Forestry Bureau* and Changchun Plywood Factory Branch Factory* (the "Other JV Parties") in consideration of RMB 1,000,000 (approximately HK$1,100,000) entered into by Jilin Fuchun and the Other JV Parties dated 5 June 2008;

9. the Previous Agreement;

10. the Supplemental Deed;

11. the Subscription Agreement;

12. the Agreement.

6. DIRECTOR'S SERVICE CONTRACTS

Each of Mr. Zhang Xi ("Mr. Zhang"), Ms. Zhang Huafang ("Ms. Zhang"), Mr. Cai Duanhong ("Mr. Cai") and Ms. Catherine Chen ("Ms. Chen") has entered into a service contract with the Company. Each of the service contract of Mr. Zhang, Ms. Zhang and Mr. Cai was effective on 11 December 2006 and the service contract of Ms. Chen was effective on 2 January 2007. Brief particulars of these service contracts are set out as follows:

(a) the term of each of the service contract is 3 years;

(b) each of the service contract may be terminated by either party giving to the other party not less than 3 months' written notice and the effective date shall be the date specified in the written notice;

(c) each of Mr. Zhang, Ms. Zhang, Mr. Cai and Ms. Chen is entitled to a directors' fee of HK$600,000 per annum and may be entitled to discretionary bonuses which are conditional and limited to 1% of the profit after taxation and minority interests but before extraordinary items and exceptional items (before the deductions of any discretionary bonuses, remuneration and benefits) of the Group for a particular financial year; and

(d) each of the service contract provides for management bonus in respect of each financial year of the Company in an amount to be determined by the Board in its absolute discretion.

Each of the independent non-executive Directors, being Mr. Hong Po Kui, Martin, Mr. Yam Tak Fai, Ronald and Mr. Wong Man Hin, Raymond entered into a letter of appointment with the Company on 11 December 2006 for appointment as independent non-executive Director for a term of 3 years commencing on 11 December 2006, unless and until such employment is terminated by the Company or by the relevant independent non-executive Director by giving at least 3 calendar month's prior notice in writing. Each of the independent non-executive Directors is entitled to a director's fee of HK$240,000 per annum.

* *For identification purpose only*

Save as disclosed above, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within 1 year without payment of compensation other than statutory compensation).

7. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2007, the date to which the latest published audited financial statements of the Company were made up.

8. DIRECTORS' INTERESTS IN CONTRACT

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group.

9. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interests in a business, which competes or may compete, either directly or indirectly, with the business of the Group.

10. EXPERTS AND CONSENTS

Deloitte Touche Tohmatsue, Grant Thornton, Asset Appraisal Limited and Fujian Chuangyuan Law Firm* have given and have not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters and reports and/or references to its name, in the form and context in which they respectively appear.

11. QUALIFICATION

The following is the qualification of the expert who has been named in this circular or has given its opinion, letters, reports or advice which are contained in this circular;

Name	**Qualification**
Deloitte Touche Tohmatsue	Certified Public Accountants
Grant Thornton	Certified Public Accountants
Asset Appraisal Limited	Chartered Surveyor
Fujian Chuangyuan Law Firm*	PRC lawyers

* *For identification purpose only*

As at the Latest Practicable Date, none of the experts have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, direct or indirect, in any assets which had, since 31 December 2007 (being the date to which the latest published audited consolidated financial statement of the Company were made up), been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at Unit 2805, 28/F., The Center, 99 Queen's Road Central, Central, Hong Kong from the date of this circular up to and including:–

(a) the Memorandum of Association and bye-laws of the Company;

(b) the annual reports of the Company for each of the two years ended 31st December 2006 and 2007;

(c) the accountants' reports on the Group, the text of which is set out in Appendix I to this circular;

(d) the accountants' reports on the Prowealth Group, Yield On, Hainan Jiadexin and Maoming Changxing, the text of which is set out in Appendix II to this circular;

(e) the letter issued by Deloitte Touche Tohmatsue in connection with the pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(f) the valuation report on the properties interest of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(g) the legal opinion provided by Fujian Chunogyuan Law Firm*, summary of which is set out in Appendix IV of this circular;

(h) the consent letters referred to under the paragraph headed "Experts and Consents" in this appendix;

(i) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(j) the service agreements entered into between each of the executive Directors and the Company;

(k) a copy of each circular issued by the Company pursuant to the requirements set out in Chapter 14 of the Listing Rules which has been issued since the date of the latest published audited accounts of the Company.

* *For identification purpose only*

13. MISCELLANEOUS

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The head office and principal place of business of the Company in Hong Kong is located at Unit 2805, 28th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong.

(b) The qualified accountant and the company secretary of the Company is Mr. Ho Yee Kee, Ricky. Mr. Ho is an associate member of the Association of Chartered Certified Accountants and has 14 years of experience in financial investments and corporate management.

(c) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese version for the purposes of interpretation.

福 邦 控 股

Fulbond Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1041)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "SGM") of Fulbond Holdings Limited (the "Company") will be held at Novotel Century Hong Kong Hotel, 258 Jaffe Road, Wanchai, Hong Kong on Thursday, 17 July 2008 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed with or without amendment as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "THAT:–

(a) the conditional agreement ("Agreement") dated 28 May 2008 entered into by Sun Boom Limited ("Sun Boom") and Wise Virtue Holdings Limited ("Wise Virtue") as vendors and Fulbond Investments Limited as purchaser and the Company in relation to, inter alia, the sale and purchase of 8,334 share of US$1.00 each representing not less than 80% of the entire issued share capital of Prowealth Holdings Group Limited upon completion of the Agreement for a consideration of HK$484,000,000 to be satisfied, as to HK$323,088,240 by the issue of 3,756,840,000 new shares in the Company ("Consideration Shares") at HK$0.086 each and as to HK$160,911,760 by the issue of convertible notes ("Convertible Notes") by the Company to the vendors (a copy of the Agreement has been produced to this meeting and marked "A" and initialled by the chairman for identification purpose) be and is hereby confirmed, approved and ratified;

(b) the issue of the Convertible Notes convertible into shares of the Company at an initial subscription price of HK$0.086 per share subject to adjustments ("Conversion Shares") in accordance with the terms and conditions set out in the Agreement be and is hereby approved;

(c) the issue of (i) the Consideration Shares credited as fully paid at HK$0.086 per share to Wise Virtue and (ii) the Conversion Shares upon exercise of conversion rights under the Convertible Notes to the holder(s) of the Convertible Notes by the Company be and are hereby approved;

(d) the directors of the Company be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as they may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Agreement, issue of the Conversion Shares, the Convertible Notes and the Conversion Shares or any of the transactions contemplated thereunder."

2. "THAT with effect from the day immediately following the day this resolution is passed and conditional upon the Listing Committee of the Stock Exchange of Hong Kong Limited granting a listing and permission to deal in the ordinary shares of US$0.005 each of the Company arising from the share consolidation referred to herein, every five (5) shares of US$0.001 each in the issued and unissued share capital of the Company be consolidated into one (1) consolidated ordinary share of US$0.005 each be and is hereby approved."

Hong Kong, 30 June, 2008

By order of the Board
Zhang Xi
Chairman

Head office and principal place of business in Hong Kong:
Unit 2805, 28/F., The Center,
99 Queen's Road Central,
Central, Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the SGM convened by the notice of SGM is entitled to appoint one proxy or more proxies to attend and, on a poll, vote instead of him at the SGM. A proxy need not be a member of the Company.

2. To be valid, a form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be lodged with the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the SGM.

3. In the case of joint holders of any Share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, then one of the said persons so present whose name stands first on the register in respect of such Share shall alone be entitled to vote in respect thereof.

4. Completion and return of this accompanying form of proxy will not preclude you from attending and voting at the SGM in person if you so wish.

5. A form of proxy for use in connection with the SGM is enclosed and such form is also published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.fulbond.com).

As at the date of this notice, the Board comprises four executive Directors, namely Mr. Zhang Xi, Ms. Zhang Huafang, Mr. Cai Duanhong and Ms. Catherine Chen; and three independent non-executive Directors, namely Mr. Hong Po Kui, Martin, Mr. Yam Tak Fai, Ronald and Mr. Wong Man Hin, Raymond.