THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

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

fulbond
福 邦 控 股

Fulbond Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 1041)

VERY SUBSTANTIAL DISPOSAL
AND
CONNECTED TRANSACTION

RELATING TO DISPOSAL OF THE ENTIRE INTEREST IN PROWEALTH HOLDINGS GROUP LIMITED

Financial Adviser to the Company

KINGSTON CORPORATE FINANCE LIMITED

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

Quam CAPITAL 華富嘉洛企業融資

A letter from the Board is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Disposal is set out on page 14 of this circular. A letter from Quam Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee and Independent Shareholders in respect of the Disposal is set out on pages 15 to 27 of this circular.

A notice convening a special general meeting of Fulbond Holdings Limited (the "Company") to be held at Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 18th January 2010 at 11:00 a.m. or any adjournment thereof is set out on pages SGM-1 to SGM-2 of this circular. A proxy form for use in the special general meeting is enclosed. Whether or not you propose to attend the special general meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the special general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish.

Hong Kong, 24th December 2009

CONTENTS

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

"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"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"	actual completion of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Deed
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration in the sum of HK$165,000,000 payable by the Purchaser to the Vendor for the sale and purchase of the Sale Shares
"Designated Account"	the Hong Kong dollar savings account opened and maintained as a trust account by the Company at Hang Seng Bank which is operated jointly by one of the Directors and the Purchaser's Guarantor
"Directors"	the directors of the Company
"Disposal"	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms of the Sale and Purchase Deed
"Escrow Agent"	the solicitors acting for the Vendor and the Company
"Group"	the Company and its subsidiaries
"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
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors established to advise the Independent Shareholders in relation to the Disposal
"Independent Shareholders"	Shareholders other than the Purchaser's Guarantor and his associates
"Independent Third Party"	third parties independent of the Company and connected persons of the Company
"Latest Practicable Date"	22nd December 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30th June 2010 (which may at the absolute discretion of the Vendor be extended to 31st October 2010) or such later date as the parties hereto may from time to time agree in writing
"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
"Promissory Note"	the promissory note to be issued by the Purchaser to the Vendor upon Completion
"Prowealth"	Prowealth Holdings Group Limited, a company incorporated in the British Virgin Islands with limited liability
"Prowealth Group"	Prowealth and its subsidiaries
"Purchaser"	Sincerity Shine Holdings Limited, a company incorporated in Hong Kong
"Purchaser's Guarantor"	Mr. Li Geng

"Quam Capital"	Quam Capital Limited, a corporate licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal
"Remaining Group"	the Group immediately after Completion
"Sale and Purchase Deed"	the sale and purchase deed dated 4th December 2009 entered into between the Vendor, the Company, the Purchaser and Li Geng as the Purchaser's guarantor in respect of the sale and purchase of the Sale Shares
"Sale Shares"	10,000 ordinary shares of US$1.00 each in the share capital of Prowealth, representing the entire issued share capital of Prowealth
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SGM"	a special general meeting of the Company to be convened and held to consider the Sale and Purchase Deed and the transactions contemplated thereunder
"Share(s)"	the ordinary share(s) of US$0.001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shares Transfer"	the disposal of 1,656,840,000 Shares held by the Purchaser's Guarantor on 4th December 2009
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Sun Boom"	Sun Boom Limited, a company incorporated in the British Virgin Islands and the former holder of the Sun Boom Convertible Notes

"Sun Boom Convertible Notes"	(i) a 2 years convertible note in the principal amount of US$3,700,000 issued by the Company to Sun Boom on 9th April 2008 with a conversion price of HK$0.086 per Share (subject to adjustment); (ii) a 2 years convertible note in the principal amount of HK$121,000,000 issued by the Company to Sun Boom on 30th May 2008 (as supplemented by a deed dated 26th August 2008) with a conversion price of HK$0.086 per Share (subject to adjustment); and (iii) a 5 years convertible note in the principal amount of HK$80,646,500 issued by the Company to Sun Boom on 17th October 2008 with a conversion price of HK$0.086 per Share (subject to adjustment)
"Vendor"	Fulbond Investments Limited, a wholly-owned subsidiary of the Company
"Wise Virtue"	Wise Virtue Holdings Limited, a company incorporated in the British Virgin Islands and the former holder of Wise Virtue Convertible Note
"Wise Virtue Convertible Note"	a 5 years convertible note in the principal amount of HK$80,265,260 issued by the Company to Wise Virtue on 17th October 2008 with a conversion price of HK$0.086 per Share (subject to adjustment)
"Yield On"	Yield On International Limited (裕安國際有限公司), a company incorporated on 26th April 2006 with limited liability in Hong Kong which is wholly owned by Prowealth
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

In this circular, for reference only, translation of United States dollars into Hong Kong dollars is based on the exchange rate of US$1.00 = HK$7.75; and the translation of Renminbi into Hong Kong dollars is based on the exchange rate of RMB1.00 = HK$1.13.

福 邦 控 股
Fulbond Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 1041)

Executive Directors:
Mr. Zhang Xi *(Chairman)*
Ms. Catherine Chen *(Managing Director)*
Mr. Yeung Kwok Yu
Mr. Lee Sun Man
Mr. Kwan Kam Hung, Jimmy
Mr. Wah Wang Kei, Jackie

Independent Non-Executive Directors:
Mr. Hong Po Kui, Martin
Mr. Yu Pan
Ms. Ma Yin Fan
Mr. Leung Hoi Ying

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

Head office and principal place of business in Hong Kong:
Unit 2807, 28/F
The Center
99 Queen's Road Central
Central
Hong Kong

24th December 2009

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL
AND
CONNECTED TRANSACTION

RELATING TO DISPOSAL OF THE ENTIRE INTEREST IN PROWEALTH HOLDINGS GROUP LIMITED

INTRODUCTION

Reference is made to the Company's announcement dated 9th December 2009, in which the Company announced that on 4th December 2009, the Vendor, the Company, the Purchaser and the Purchaser's Guarantor entered into the Sale and Purchase Deed whereby the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares for a consideration of HK$165,000,000.

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. The Purchaser is legally and beneficially owned as to 50% by Huang Yu Wei, the spouse of the Purchaser's Guarantor, who in turn was a substantial Shareholder holding 1,656,840,000 Shares representing approximately 12.60% of the issued share capital of the Company prior to the Shares Transfer. The Purchaser's Guarantor is a director of

Prowealth and certain of its subsidiaries and the general manager of Hainan Jiadexin. As a result, the Purchaser is a connected person of the Company for the purpose of the Listing Rules. Therefore, the Disposal also constitutes a connected transaction of the Company and will be subject to approval of the Independent Shareholders at the SGM.

The purpose of this circular is to provide you with, among others, (i) further details of the Disposal, (ii) the letter of advice from Quam Capital to the Independent Board Committee and the Independent Shareholders in relation to the Disposal; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Disposal; and (iv) the notice of the SGM.

THE SALE AND PURCHASE DEED

Date: 4th December 2009

Parties:

(1) Fulbond Investments Limited, a wholly-owned subsidiary of the Company, as vendor;

(2) the Company;

(3) Sincerity Shine Holdings Limited, a company incorporated in Hong Kong which is principally engaged in investment holding, as purchaser; and

(4) Li Geng, as the Purchaser's guarantor

Assets to be disposed of

The Sale Shares to be disposed of by the Vendor represent the entire issued share capital of Prowealth.

Condition

Completion of the sale and purchase of the Sale Shares is subject to and conditional upon approval by the Shareholders (other than the Purchaser or any other connected person within the meaning of the Listing Rules who is precluded from voting pursuant to the Listing Rules) on the entering into of the Sale and Purchase Deed and the transactions contemplated thereunder at the SGM and such approval not having been or proposed to be revoked and such approval is evidenced by a scrutineers' certificate issued by the branch share registrar of the Company in Hong Kong in accordance with the Sale and Purchase Deed, a certified copy of which the Vendor shall promptly provide to each of the Escrow Agent and the Purchaser.

If the above condition is not fulfilled on or before the Long Stop Date, the Sale and Purchase Deed shall automatically terminate and be of no effect and the parties will be released from all obligations thereunder, save for liabilities in respect of any antecedent breaches.

Consideration

The Consideration of HK$165,000,000 for the Sale Shares shall be paid in cash by the Purchaser to the Vendor (or as it may direct) in the following manner:–

(a) a sum of HK$90,000,000 shall, upon signing of the Sale and Purchase Deed or as soon as practicable, be paid into the Designated Account which shall, subject to the provisions of the Sale and Purchase Deed, be applied as part payment of the Consideration upon Completion ("Initial Deposited Sum");

(b) a sum of HK$32,000,000 shall, by no later than 31st December 2009, be paid into the Designated Account which shall, subject to the provisions of the Sale and Purchase Deed, be applied as part payment of the Consideration upon Completion, provided however if the Purchaser shall fail or shall be in default to pay the said amount or any part thereof on or before 31st December 2009, (i) the Purchaser shall be liable to pay to the Vendor interest on any of the outstanding sum from 1st January 2010 to the date of payment at the rate of 6% per annum compounded on a monthly basis, provided that if the payment date does not fall on the expiry of a full calendar month period, interests in respect of the remaining period not falling within a full calendar month shall be accrued on the basis of the actual number of days elapsed and a 365 days' year period at the rate of 6 % per annum; and (ii) the Vendor may at its absolute discretion (but not an obligation) extend the deadline for such payment of such sum of all or any part of HK$32,000,000 to a date falling on the expiry of 6 months from the date of Completion ("Further Deposited Sum"); and

(c) the balance of the Consideration in the sum of HK$43,000,000 shall be paid within 18 months from the date of Completion, provided however, if the Purchaser shall fail or shall be in default to pay all or any part of the Further Deposited Sum by 31st December 2009, and the Vendor agrees to extend the deadline for payment of the outstanding balance of the Further Deposited Sum, such sum of HK$43,000,000 and the outstanding balance of the Further Deposited Sum (together with any interest accrued thereon) shall be paid within 6 months from the date of Completion as balance of the Consideration, and by the delivery of the Promissory Note duly executed by the Purchaser in favour of the Vendor on Completion. At the request of the Purchaser, such date of payment may be extended by a further period of 3 months after the expiry of such 18 months or 6 months period (as the case may be) upon the mutual agreement between the Vendor and the Purchaser in writing (the "Due Date"), provided that the Vendor shall give consideration to the Purchaser's request in good faith in arriving at its decision. Should the Purchaser fail or in default to pay such balance of the Consideration or any part thereof on or before the Due Date, the Purchaser shall be liable to pay to the Vendor interest on any of the outstanding sum at the rate of 6% per annum calculated on a daily basis (based on a 365 days' year period) from the Due Date to the date of payment.

If the condition precedent to the Sale and Purchase Deed is not fulfilled on or before the Long Stop Date, the Company shall as soon as practicable return the money held in the Designated Account as follows:

(a) as to the sum of HK$40,000,000 to a joint name account to be opened in the name of the Purchaser's Guarantor and a representative of Wise Virtue with a licensed bank in Hong Kong; and

(b) as to the remaining sum to the Purchaser (or as the Purchaser may direct).

The consideration was determined after arm's length negotiation between the Vendor and the Purchaser with reference to (i) the valuation of Prowealth of RMB124,000,000 (equivalent to approximately HK$140,120,000) as shown in the valuation report of Prowealth as set out in Appendix IV to this circular on the reference date, being 31st October 2009, by Asset Appraisal Limited, an independent valuer, which was arrived at adopting the market approach and (ii) the unaudited net asset value of Prowealth.

As disclosed in the circular of the Company dated 28th September 2009, the Company is considering, to (i) explore other business development and/or potential investment opportunities; and (ii) restructure or reorganize its existing businesses and the combination of these businesses. The proceeds from the Disposal are intended to be applied for principal operations and/or potential investment opportunities and/or as general working capital of the Company.

Share Charge

As security for the payment obligation on the part of the Purchaser with respect to the balance of the Consideration and under the Promissory Note, the Purchaser undertakes to charge by way of first fixed charge the Sale Shares in favour of the Vendor at Completion.

Completion

Completion will take place on or before the second business day after the condition precedent as set out above has been fulfilled.

The documents required to be delivered by each of the parties upon Completion are currently held in escrow by the Escrow Agent and shall be released to the respective parties in accordance with the terms of the Sale and Purchase Deed upon Completion. If Completion does not take place pursuant to the Sale and Purchase Deed, these completion documents will be returned to the respective parties.

INFORMATION ON PROWEALTH GROUP

Prowealth is an investment holding company incorporated in the British Virgin Islands on 17th May 2007, which holds 100% shareholding interest in Yield On and through various intermediary subsidiaries holds 100% equity interest in Maoming Changxing and Hainan Jiadexin. Prowealth has not conducted any business save for its investment holding of Yield On, Maoming Changxing and Hainan Jiadexin since its date of incorporation. Yield On is a limited company incorporated in Hong Kong and is engaged in 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.

Set out below is the financial information of Prowealth Group for the two years ended 31st December 2007 and 31st December 2008 respectively which was prepared in accordance with the generally accepted accounting principles of Hong Kong:

	For the year ended 31st December 2007 approximately *HK$'000* *(Audited)*	**For the year ended 31st December 2008 approximately** *HK$'000* *(Unaudited)*
Net profit before taxation and extraordinary items	34,282	41,210
Net profit after taxation and extraordinary items	34,282	35,066
Net assets	36,816	193,029
Total assets	268,015	341,256

POSSIBLE FINANCIAL EFFECT OF THE DISPOSAL

Upon completion of the Disposal, the Prowealth Group will cease to be subsidiaries of the Company and its accounts will not be consolidated into the Company's financial statements.

Based on the value of the Prowealth Group as set out in the section headed "Information on Prowealth Group" above, it is expected that the Company will realise a loss before expenses from the Disposal of approximately US$3,619,000 (equivalent to approximately HK$28,047,000) which represents the difference between the Consideration and the net asset value of Prowealth Group of approximately US$24,907,000 (equivalent to approximately HK$193,029,000) as at 31st December 2008. As at 30th June 2009, the unaudited net asset value of Prowealth Group amounted to approximately HK$182,945,000.

According to the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group as set out in Appendix II to this circular, the loss (after taxation) of the Group will increase from approximately US$2,283,000 (equivalent to approximately HK$17,693,000) to approximately US$5,873,000 (equivalent to approximately HK$45,516,000), as if the Disposal had taken place on 1st January 2009. According to the unaudited pro forma consolidated financial statement of financial position of the Remaining Group as set out in Appendix II to this circular, the total assets of the Group will decrease from approximately US$60,255,000 (equivalent to approximately HK$466,976,000) to approximately US$40,594,000 (equivalent to approximately HK$314,604,000) whilst the total liabilities of the Group will decrease from approximately US$74,674,000 (equivalent to approximately HK$578,724,000) to approximately US$58,767,000 (equivalent to approximately HK$455,444,000), as if the Disposal had taken place on 30th June 2009.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in (i) the business of manufacturing and sale of wooden products, such as door skins and particle board products; and (ii) food processing and distribution business.

The Vendor acquired the entire issued share capital of Prowealth at a total consideration of HK$605,000,000 in the following manner: (i) as to 20% of the entire issued share capital of Prowealth at a consideration of HK$121,000,000 from Sun Boom pursuant to an agreement entered into between Sun Boom as vendor, the Vendor as purchaser, Ajia Partners Special Situations Fund ILP as Sun Boom's guarantor and the Company as the Vendor's guarantor dated 22nd February 2008 (as supplemented by two supplemental deeds dated 27th February 2008 and 30th April 2008 entered into between the same parties); and (ii) as to 80% of the entire issued share capital of Prowealth at a consideration of HK$484,000,000 from Sun Boom and Wise Virtue pursuant to an agreement entered into between Sun Boom and Wise Virtue as vendors, the Vendor as purchaser and the Company dated 28th May 2008. The unaudited net profit of the Prowealth Group for the six months ended 30th June 2009 amounted to approximately HK$3,414,000, representing a decrease of approximately 71% comparing to the same period last year of approximately HK$11,745,000. The unaudited net loss of the Prowealth Group for the period from 1st January 2009 to 31st October 2009 amounted to approximately HK$2,055,000. The performance of the Prowealth Group falls short of the expectation of the Board as a result of the impact of the recent global financial crisis on Prowealth Group's major trading markets, namely, the United States of America and Canada. Notwithstanding that the Company will suffer a loss on the Disposal, the Directors have considered the following factors in arriving at the decision for the Disposal: (i) the Consideration is made with reference to the valuation and the unaudited net asset value of Prowealth; (ii) the avoidance of further deterioration of the commercial value of Prowealth; and (iii) through the Disposal, the Group may efficiently re-allocate its resources to its principal operations and/or other investment opportunities.

Based on the above, the Directors are of the view that the terms of the Sale and Purchase Deed (including, inter alia, the Consideration) are fair and reasonable and that the entering into of the Sale and Purchase Deed is in the interests of the Company and its Shareholders as a whole.

TRANSFER OF CONVERTIBLE NOTES AND SHARES

Pursuant to the Wise Virtue Convertible Note and Sun Boom Convertible Notes, transfer of the above convertible notes is permitted only with prior written consent of the Company. The Company has been informed that, on 4th December 2009, Wise Virtue and Sun Boom have transferred the Wise Virtue Convertible Note and Sun Boom Convertible Notes to third parties independent of the Company and connected persons of the Company respectively pursuant to the terms and conditions of the Wise Virtue Convertible Note and Sun Boom Convertible Notes and written consent has been given by the Company in respect of each of the above transfers.

On the same date immediately prior to the transfer of the Wise Virtue Convertible Note and Sun Boom Convertible Notes, Wise Virtue and Sun Boom have respectively released and discharged the Vendor and the Company from their liabilities and obligations under (i) the deed of charge dated 17th October 2008 entered into between Wise Virtue, the Vendor and the Company and (ii) the deeds of charge dated 30th May 2008 (as supplemented by a deed dated 26th August 2008) and 17th October 2008 respectively entered into between Sun Boom, the Vendor and the Company, pursuant to which 6,667 Sale Shares and a total of 3,333 Sale Shares were charged by the Vendor in favour of Wise Virtue and Sun Boom respectively and (iii) the deed of charge dated 9th April 2008 entered into between Sun Boom and the Company over the US dollars interest bearing bank account opened and maintained by the Company with deposit of the subscription money for the convertible note in the principal amount of US$3,700,000 issued by the Company to Sun Boom on 9th April 2008, to secure the performance by the Vendor and the Company of their obligations under the terms and conditions of the Wise Virtue Convertible Note and the Sun Boom Convertible Notes.

The Company has also been informed that on 4th December 2009, the Purchaser's Guarantor has entered into an agreement to dispose of all of the Shares held by him.

As informed by the Purchaser, part of the Consideration payable pursuant to the Sale and Purchase Deed would be financed by (i) Wise Virtue from its proceeds raised from the sale of the Wise Virtue Convertible Note and (ii) the Purchaser's Guarantor from his proceeds raised from the Shares Transfer.

LISTING RULES IMPLICATION

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. The Purchaser is legally and beneficially owned as to 50% by Huang Yu Wei, the spouse of the Purchaser's Guarantor, who in turn was a substantial Shareholder holding 1,656,840,000 Shares representing approximately 12.60% of the issued share capital of the Company prior to the Shares Transfer. The Purchaser's Guarantor is a director of Prowealth and certain of its subsidiaries and the general manager of Hainan Jiadexin. As a result, the Purchaser is a connected person of the Company for the purpose of the Listing Rules. Therefore, the Disposal also constitutes a connected transaction of the Company and will be subject to approval of the Independent Shareholders at the SGM.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has an interest in the Disposal which is materially different from the other Shareholders. Therefore, no Shareholder will be required to abstain from voting at the SGM to approve the Sale and Purchase Deed and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether or not the terms of the Sale and Purchase Deed are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and Quam Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Disposal.

SGM

The SGM will be held at Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 18th January 2010 at 11:00 a.m. or any adjournment thereof, for the purpose of considering and, if thought fit, approving, by way of poll, among other things, the Disposal and the transactions contemplated thereunder.

The notice of the SGM is set out in pages SGM-1 to SGM-2 of this circular. A proxy form for use at the SGM is enclosed. Whether or not you propose to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors are of the view that the terms of the proposed Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 14 of this circular which contains its recommendation to the Independent Shareholders in respect of the Disposal, and (ii) the letter of advice from Quam Capital, which contains its advice to the Independent Board committee and the Independent Shareholders in relation to the Disposal and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from Quam Capital is set out on pages 15 to 27 of this circular.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Fulbond Holdings Limited
Zhang Xi
Chairman

fulbond 福邦控股

Fulbond Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 1041)

24th December 2009

To the Independent Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL
AND
CONNECTED TRANSACTION**

**RELATING TO DISPOSAL OF THE ENTIRE INTEREST
IN PROWEALTH HOLDINGS GROUP LIMITED**

We refer to the circular (the "**Circular**") dated 24th December 2009 issued by the Company to its Shareholders of which this letter forms part. The terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed by the Board to advise you as to whether the terms of the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Details of the Disposal are set out in the section headed "Letter from the Board" of the Circular.

Quam Capital has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Disposal. The text of the letter of advice from Quam Capital containing its advice and the principal factors and reasons it has taken into consideration in arriving at its advice is set out on pages 15 to 27 of the Circular.

Having taken into consideration the advice of, and the principal factors and reasons considered by, Quam Capital in relation thereto as stated in its letter, we consider that the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal.

Yours faithfully,
Independent Board Committee

Hong Po Kui, Martin **Yu Pan** **Ma Yin Fan** **Leung Hoi Ying**

The following is the full text of the letter of advice from Quam Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Disposal.

Quam CAPITAL 華富嘉洛企業融資
Quam Capital Limited
A Member of The Quam Group

24 December 2009

To the Independent Board Committee and the Independent Shareholders
Fulbond Holdings Limited
Unit 2807, 28/F
The Center
99 Queen's Road Central
Central
Hong Kong

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION RELATING TO DISPOSAL OF THE ENTIRE INTEREST IN PROWEALTH HOLDINGS GROUP LIMITED

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal. Details of the terms of the Sale and Purchase Deed are set out in the "Letter from the Board" (the "Letter from the Board") contained in the circular issued by the Company to the Shareholders dated 24 December 2009 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

On 4 December 2009, Fulbond Investments Limited, the Company, the Purchaser and Mr. Li Geng (being the Purchaser's Guarantor) entered into the Sale and Purchase Deed in respect of the disposal of the entire share capital of Prowealth. The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. The Purchaser is legally and beneficially owned as to 50% by Huang Yu Wei, the spouse of the Purchaser's Guarantor, who in turn was a substantial Shareholder holding 1,656,840,000 Shares representing approximately 12.60% of the issued share capital of the Company prior to the Shares Transfer. The Purchaser's Guarantor is a director of Prowealth and certain of its subsidiaries and the general manager of Hainan Jiadexin. As a result, the Purchaser is a connected person of the Company for the purpose of the Listing Rules. Therefore, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and will be subject to approval of the Independent Shareholders at the SGM by way of poll.

Mr. Hong Po Kui, Martin, Mr. Yu Pan, Ms. Ma Yin Fan and Mr. Leung Hoi Ying, the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the Disposal has been entered into by the Group within its ordinary and usual course of business based on normal commercial terms; and the terms of the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and to advise the Independent Shareholders as to whether to approve the Disposal. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard.

Quam Capital Limited is independent of and not connected with any members of the Group or any of their substantial shareholders, directors or chief executives, or any of their respective associates, and is accordingly qualified to give independent advice in respect of the Disposal.

In formulating our recommendation, we have relied on the information and facts obtained or referred to in the Circular, the information supplied by the Group and the advisers of the Company, the opinions expressed by and the representations of the Directors and the management of the Group, and our review of the relevant public information. We have assumed that all the information, facts and representations contained or referred to in the Circular were true and accurate in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time that they were made and continue to be true as at the date of the Circular, and all such statements of belief, opinions and intention of the Directors and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the management of the Group and the advisers of the Company. The Directors have confirmed to us that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient and relevant information currently available to reach an informed view regarding the Disposal and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinions expressed by the Directors, the management of the Group or the advisers of the Company, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, Prowealth, the Purchaser, the Purchaser's Guarantor and Wise Virtue or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Disposal, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Disposal

(a) Principal business and business strategies of the Group

The Group is principally engaged in (i) the business of manufacturing and sale of wooden products, such as door skins and particle board products (the "Timber Business"); and (ii) food processing and distribution business (the "Food Business").

The Timber Business has been established and operated since 1999. It has been the core business segment of the Group where the management has accumulated valuable experience in this field.

The Food Business was acquired by the Group through the acquisition of Prowealth from Sun Boom and Wise Virtue in two separate transactions for a total consideration of HK$605 million. Information of each of the aforementioned transactions is set out in the Company's announcements dated 29 February 2008 and 3 June 2008 respectively. The reason for acquiring the remaining 80% share interest in Prowealth, as disclosed in the announcement of the Company dated 3 June 2008, was to broaden the Group's source of income by diversifying its business into seafood trading and processing food business in the PRC and to improve the profitability of the Group by expanding its business scope.

For the year ended 31 December 2008, revenue generated from the Timber Business and the Food Business accounted for approximately 60% and 40% of the Group's total revenue respectively. For the six months ended 30 June 2009, revenue generated from the Food Business to the Group's total revenue increased to approximately 73% whereas contribution of the Timber Business fell to approximately 27%. Such fall in revenue generated from the Timber Business was mainly attributable to the financial crisis, resulting in a reduction in demand for the Timber Business. For the Timber Business, sales are mainly exported to the PRC, Middle East, Europe and Asia and for the Food Business, sales are mainly generated from the United States of America (the "US"). Please refer to subsection (b) below for details of the financial performance of the Group and the Prowealth Group.

As stated in the Company's announcement dated 5 June 2008, the Group disposed of its entire interest in Jilin Province Fuchun Timber Co., Ltd. ("Jilin Fuchun"), a then 55%-owned sino-foreign joint venture of the Company principally engaged in the manufacture and sale of wooden products, to the PRC minority shareholder at a consideration of RMB1 million. It is also stated that the business license of Jilin Fuchun expired on 21 March 2008 and all the joint venture partners of Jilin Fuchun decided not to renew the business license of Jilin

Fuchun and therefore decided to proceed with the winding up of Jilin Fuchun accordingly. The Company's management advised that they have been and will continue to make efforts to restructure the business of the Group in order to improve the Group's overall competitiveness and profitability, the disposal of Jilin Fuchun and the Disposal form part of such initiative.

We noted from Appendix III to the Circular – "Additional financial information of the Group" that the Remaining Group remains focused on the PRC for its business expansion and that it will continue to focus on potential markets for exploring new business growth opportunities. It was disclosed in the circular of the Company dated 30 June 2008 that the Group will also strive to enhance shareholding value through identifying various and feasible business opportunities. We were advised by the Company's management that the Group is actively seeking acquisition opportunities to diversify its business.

(b) Financial performance of the Group

Set out below is the summary of the audited financial information of the Group for each of the three years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 (the "Track Record Period") and the balance sheet of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 as extracted from "Financial information of the Group" contained in Appendix I to the Circular:

Table 1

	For the year ended 31 December			**For the six months ended 30 June**	
	2006	**2007**	**2008**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue	26,308	24,016	36,308	10,664	23,011
Loss for the year/period attributable to owners of the Company	(7,017)	(7,455)	(29,174)	(199)	(2,024)

	As at 31 December			**As at 30 June**	
	2006	**2007**	**2008**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Equity attributable to owners of the Company	8,957	6,508	(12,877)	N/A	(14,870)

As illustrated in Table 1 above, the Group's revenue decreased slightly by approximately 8.7% to approximately US$24.0 million for the year ended 31 December 2007 and increased by approximately 51.2% to approximately US$36.3 million for the year ended 31 December 2008. It is also noted that the revenue for the six months ended 30 June 2009 increased significantly by approximately 115.8% to approximately US$23.0 million as compared to the previous corresponding period. Such increases were mainly contributed by the Food Business since the Group's acquisition of the remaining 80% equity interest in Prowealth completed on 17 October 2008 (the "Acquisition Completion Date") and the Food Business operation has become the leading source of revenue of the Group thereafter.

The Group has been loss making for more than eight years. As illustrated in Table 1 above, the Group's loss attributable to owners of the Company increased significantly by approximately 291.3% to approximately US$29.2 million for the year ended 31 December 2008. Such increase in loss was mainly attributable to an impairment loss recognised in respect of property, plant and equipment and prepaid lease payments of approximately US$10.6 million and an impairment loss in respect of goodwill of approximately US$21.3 million in relation to the acquisition of Prowealth. It is also noted that the loss attributable to owners of the Company for the six months ended 30 June 2009 increased substantially to approximately US$2.0 million as compared to the previous corresponding period, which was mainly attributable to the increase in interest expenses incurred on the Sun Boom Convertible Notes and the Wise Virtue Convertible Note. Given the aforesaid losses during the Track Record Period, it is noted that the equity attributable to owners of the Company decreased accordingly and the Group recorded net liabilities positions as at 31 December 2008 and 30 June 2009.

In view of the above, notwithstanding that the acquisition of the Prowealth Group in 2008 broadened the revenue base of the Group, both the loss and equity attributable to owners of the Company deteriorated after such acquisition.

(i) Overview of the Prowealth Group's business

Prowealth, a wholly-owned subsidiary of the Company since the Acquisition Completion Date, is an investment holding company incorporated in the British Virgin Islands on 17 May 2007 principally engaged in (i) trading and distribution of frozen seafood through a wholly-owned subsidiary incorporated in Hong Kong, Yield On; and (ii) food processing through two wholly-owned subsidiaries of Yield On, namely, Maoming Changxing and Hainan Jiadexing, both are incorporated and principally operating in the PRC. The key products of the Prowealth Group, such as tilapia and shrimps, are sourced from the Guangdong and Hainan provinces in the PRC and exported to mainly the US and also to Europe, Canada and Australia.

From the date of incorporation of Prowealth on 17 May 2007 up to 31 October 2009, more than 90% of the Prowealth Group's sales are generated from the US. On average, approximately 92% of the Group's seafood export to the US comprise tilapia and shrimps during the same period.

We were advised by the Company that the average prices of tilapia and shrimps in the US have been falling since the beginning of the global financial crisis in late 2008. Such fall in price was mainly attributable to the weakened economy in the US as a result of the financial crisis.

Moreover, we were advised by the Company that the average purchase prices and processing costs of seafood in the PRC have been rising since the establishment of Prowealth. Such trend was mainly attributable to shortage of seafood supply and increase in food processing costs in the PRC.

The effects of falling prices of tilapia and shrimp export to the US and rising purchase prices and processing costs of seafood sourced within the PRC resulted in a negative impact on the profitability of the Food Business for the six months ended 30 June 2009. The Company's management expects such trend to continue due to the weakened US economy and the strength of the PRC economy.

(ii) Financial performance of the Prowealth Group

Set out below is the summary of the results of the Prowealth Group incorporated into the Group's consolidated financial statements since the Acquisition Completion Date as extracted from "Financial information of the Group" contained in Appendix I to the Circular:

Table 2

	Acquisition Completion Date to 31 December 2008	**1 January 2009 to 30 June 2009**
	US$'000	*US$'000*
Revenue	14,426	16,688
Loss for the period	(20,145) *(Note)*	(622)
	As at 31 December 2008	**As at 30 June 2009**
	US$'000	*US$'000*
Net asset value	24,907	24,283

Note: The loss for the period includes impairment loss on goodwill of approximately US$21.3 million.

Since the Acquisition Completion Date, the financial results of the Prowealth Group were consolidated into the financial statements of the Group. As illustrated in Table 2 above, we noted that the annualised revenue for the six months ended 30 June 2009 was lower than that for the period from the Acquisition Completion Date to 31 December 2008, which, as advised by the Company, was mainly attributable to the decrease in the selling prices of relevant fishery products (including tilapia and shrimp) following the global financial crisis in late 2008. Such global financial crisis had imposed material adverse impact on the results of the Prowealth Group, resulting in a net loss position since the Acquisition Completion Date. The Directors have reviewed the fair value of the goodwill on acquisition of Prowealth and, after taking into account the projected cash flow of the Prowealth Group and other bases and assumptions thereof, the Group has recognised a non-recurring impairment loss on goodwill of approximately US$21.3 million in 2008, which resulted in the loss-making results of the Prowealth Group of approximately US$20.1 million for the period ended 31 December 2008. The Prowealth Group continued to suffer from the global financial crisis, in particular, in its major market, the US, and recorded net loss for the six months ended 30 June 2009, which in turn also adversely affected the net asset value of the Prowealth Group as at 30 June 2009.

(c) Reasons for and benefits of the Disposal

As discussed in the subsection (a) above, the Company's management advised that they have been and will continue to make efforts to restructure the business of the Group in order to improve the Group's overall competitiveness and profitability. The Group has been making losses since 1999, but managed to maintain a healthy cash position of approximately US$10.0 million as at 30 June 2009. We were advised by the management of the Company that all purchases of seafood for the Prowealth Group are on a cash on delivery basis where no credit terms are granted by its suppliers. As such, should the Prowealth Group's business performance continue to be adversely impacted by the deteriorated demand in the US, the Group is at risk of depleting its healthy cash position. Furthermore, turnover of the Food Business has been diminishing since the acquisition by the Group and the Food Business has shifted from profit making prior to the acquisition to loss making thereafter. Taking into account the expected continuation of the deterioration of the Food Business's profitability due to weakened demand in the US market and the purchase and processing costs of seafood remaining to be high in the PRC, we concur with the Directors' view that the Disposal may help the Company avoid further deterioration of the commercial value of Prowealth to be borne by the Group and may limit the potential adverse impact of the Prowealth Group to the Group's overall financial position.

It is also stated in the Letter from the Board that the Group may efficiently re-allocate its resources to its principal operations and/or other investment opportunities through the Disposal. In view of (i) that the Company's history in the Food Business is much shorter than that in the Company's core Timber Business; and (ii) that the Company is actively pursuing mergers and acquisitions to diversify the Group's business to seek more profitable opportunities, the Directors consider that the Disposal will allow re-allocation of resources efficiently in order to enhance the principal operations of the Group and/or fund other possible investment opportunities, which may in turn provide better value to the Shareholders.

(d) Conclusion

Based on the foregoing, we are of the view that the Disposal is conducted in the ordinary and usual course of the Group's business; and in the interests of both the Company and the Shareholders as a whole in that respect.

2. The Consideration

As disclosed in the Letter from the Board, the Consideration of HK$165,000,000 was arrived at after arm's length negotiation between the Vendor and the Purchaser with reference to (i) the valuation of shareholders' equity of Prowealth of RMB124,000,000 (equivalent to approximately HK$140,120,000) as at 31 October 2009 (the "Valuation"), prepared by Asset Appraisal Limited, an independent valuer, under the market approach; and (ii) the unaudited net asset value of Prowealth.

We have reviewed the unaudited assets and liabilities of the Prowealth Group incorporated into the Group's consolidated statement of financial position as at 30 June 2009 and noted that the Consideration represents an implied price to net asset value ratio (the "P/NAV Ratio") of approximately 0.88 times based on the unaudited net asset value of the Prowealth Group of approximately US$24,283,000 (equivalent to approximately HK$188.2 million) as at 30 June 2009.

(a) Basis of determination

(i) Valuation by Asset Appraisal Limited

In assessing the fairness and reasonableness of the Consideration, we have considered the valuation of shareholders' equity of Prowealth prepared by Asset Appraisal Limited. According to the valuation report prepared by Asset Appraisal Limited contained in Appendix IV to the Circular, the fair value of the shareholders' equity of Prowealth is valued at RMB124 million (equivalent to approximately HK$140,120,000) as at 31 October 2009. The Consideration under the Sale and Purchase Deed represents a premium of approximately 17.8% over the Valuation. We have reviewed the underlying calculation of the Valuation and have discussed with Asset Appraisal Limited the assumptions adopted in the Valuation.

Asset Appraisal Limited has adopted the market approach by reference to the transaction prices, or valuation multiples implicit in the transaction prices of similar assets and companies in the market. In addition, listed companies can also be used to benchmark as the current market capitalisation of a listed company can be substituted for the transaction price as it represents what investors in the market are willing to pay for equity in a particular company at that point in time. In assessing the fair value of shareholders' equity of Prowealth, Asset Appraisal Limited has made reference to the enterprise value to earnings before interest tax depreciation and amortisation multiple (the "EV-to-EBITDA Ratio") implicit in listed companies engaged in farming and manufacturing of seafood.

We consider that the market approach is an appropriate approach in valuing an entity engaging in the farming and seafood business. We also concur with Asset Appraisal Limited that the market approach is appropriate in this case as it relies on data in relation to the asset's actual historical variables and actual market transactions prices which is considered to be more reliable than income approach which relies on financial forecast with more assumptions and uncertainties. In addition, Asset Appraisal Limited considered the EV-to-EBITDA Ratio to be the most appropriate pricing multiple for valuing Prowealth given that (i) it is not affected by the capital structure of a company; and (ii) it strips out non-cash items such as depreciation and amortisation.

We were advised by Asset Appraisal Limited that, in arriving at the Valuation, it has adopted a number of assumptions, some of which are specific to Prowealth and are discussed below.

- there will be no major change in the existing political, legal and economic conditions in the PRC in which Prowealth is operating;
- there will be no major change in the current taxation law in the PRC, that the rates of tax payable by Prowealth remain unchanged and that all applicable laws and regulations will be complied with by it;
- the interest rates and exchange rates will not differ materially from those presently prevailing;
- Prowealth is free from any encumbrance and liability including but not limited to interest bearing debt, mortgage, charge, land premium, relocation compensation and development costs;
- Prowealth shall have uninterrupted rights to operate its business over its farmland over the unexpired land use right term;
- Prowealth has obtained all necessary permits and approvals to carry out its business operations and subject to no further land premium or land use fees for land occupied by it; and
- all operating and processing equipment of Prowealth are in a good working condition and can perform efficiently according to the purposes for which they were designed and built.

Independent Shareholders are advised to refer to the valuation report prepared by Asset Appraisal Limited contained in Appendix IV to the Circular for details of the bases and assumptions of the Valuation. Independent Shareholders should also be aware that the Valuation under the market approach is dependent on the assumptions adopted and the market conditions and therefore may subject to change. During our discussions with Asset Appraisal Limited, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal bases and assumptions used in arriving at the Valuation.

(ii) Market comparables

As a supplemental reference to assess the fairness and reasonableness of the Consideration, we have attempted to compare it with the valuation multiples of other Hong Kong listed companies with principal activities and net asset values similar to those of the Prowealth Group. However, we are unable to identify any comparable companies listed on the Stock Exchange with comparable net asset value. Besides, given the net loss contributed by the Company in relation to the Prowealth Group since the Acquisition Completion Date, we consider it is not appropriate to make reference to the price-to-earnings ratios of the Prowealth Group. As an alternative, based on the information available on the website of the Stock Exchange, we have identified, so far as we are aware, Pacific Andes International Holdings Limited ("Pacific Andes") as the only company listed on the Stock Exchange which engages in the seafood business in the PRC, which is in line with the principal business of the Prowealth Group. We noted that the P/NAV Ratio of Pacific Andes as at the Latest Practicable Date was approximately 0.80 times, which is comparable to the implied P/NAV represented by the Consideration of approximately 0.88 times. It should, however, be noted that given the latest published net asset value of Pacific Andes, in terms of size, may not be comparable to the Prowealth Group, and hence the result of our comparison above should not be used in isolation as a determining factor in deciding whether or not the Considerations are fair and reasonable. Your attention is also drawn to subsection (a)(i) above for details of the valuation report prepared by Asset Appraisal Limited.

Having considered (i) that the Consideration represents a premium of approximately 17.8% to the Valuation; (ii) that the implied P/NAV represented by the Consideration is comparable to that of Pacific Andes; and (iii) the loss attributable to the Company in relation to the Prowealth Group since the Acquisition Completion Date up to 30 June 2009 of approximately US$20.8 million (equivalent to approximately HK$161.2 million), we are of the opinion that the Consideration (including its basis of determination) is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(b) Payment schedule

Pursuant to the Sale and Purchase Deed, the Consideration shall be paid in cash by the Purchaser to the Vendor (or as it may direct) in the following manner:

(i) a sum of HK$90 million has been deposited into the Designated Account, which shall be applied as part payment of the Consideration upon Completion;

(ii) a sum of HK$32 million (the "Further Deposited Sum") shall, by no later than 31 December 2009, be paid into the Designated Account which shall, subject to the provisions of the Sale and Purchase Deed, be applied as part payment of the Consideration upon Completion. If the Purchaser fails to pay all or part of the Further Deposited Sum by 31 December 2009 (the "First Default Event"), (i) the Purchaser shall be liable to pay to the Vendor the interest on any of the outstanding sum from 1 January 2010 to the date of payment at rate of 6% per annum (the "Outstanding Interest Rate"); and (ii) the Vendor may at its discretion extend the deadline for such payment for further six months from the date of Completion; and

(iii) the balance of the Consideration in the sum of HK$43 million shall be paid within 18 months from the date of Completion. However, if the First Default Event happens and the Vendor agrees to extend the relevant payment deadline, the sum of HK$43 million and the outstanding balance of the Further Deposited Sum (together with any interest accrued thereon) shall be paid to the Vendor within six months from the date of Completion. Pursuant to the Promissory Note duly executed by the Purchaser in favour of the Vendor whereby the Purchaser promised to pay HK$43 million or together with any outstanding balance of the Further Deposited Sum as balance of the Consideration to the Vendor within 18 months or six months (as the case may be) (the "Due Dates"). Such date of payment may be extended by a further period of three months at the request of the Purchaser upon mutual written agreement between the Vendor and the Purchaser (the "Extended Due Dates"). If the Purchaser fails or in default to pay such balance of the Consideration or any part thereof on or before the Due Dates or the Extended Due Dates (as the case may be), the Purchaser shall be liable to pay to the Vendor interest on any of the outstanding sum at rate of 6% per annum.

We were advised by the Company that the introduction of the Outstanding Interest Rate and the Promissory Note is to provide additional protection on the risk of default and delay in settlement. We have discussed with the Company regarding the basis of determination of the Outstanding Interest Rate and understand that such rate is (i) the same as the coupon rate of the Sun Boom Convertible Notes and the Wise Virtue Convertible Note; and (ii) comparable to the bank borrowing rate applied to the Group of around 6% to 8%.

(c) Conclusion

Based on the foregoing, we are of the opinion that the Sale and Purchase Deed is based on normal commercial terms and the terms thereof are fair and reasonable.

3. Financial impacts of the Disposal on the Group

Upon Completion, the Prowealth Group will cease to be subsidiaries of the Company and the results of the Prowealth Group will not be consolidated into the financial statements of the Group.

In accordance with the unaudited pro forma financial information of the Remaining Group contained in Appendix II to the Circular (the "Pro Forma Financial Information"), the pro forma loss attributable to the owners of the Company for the six months ended 30 June 2009 will be increased from approximately US$2.3 million (equivalent to approximately HK$17.8 million) to approximately US$5.9 million (equivalent to approximately HK$45.7 million), which is mainly attributable to the one-off estimated loss resulting from the Disposal of approximately US$4.4 million (equivalent to approximately HK$34.1 million). Excluding such one-off estimated loss resulting from the Disposal, the unaudited pro forma loss attributable to the equity owners of the Company will indeed improve to approximately US$1.4 million (equivalent to approximately HK$10.9 million).

It is also noted that based on the audited net liabilities of the Group of approximately US$14.4 million (equivalent to approximately HK$111.6 million) as at 30 June 2009, the unaudited pro forma net liabilities of the Remaining Group will increase to approximately US$18.2 million (equivalent to approximately HK$141.1 million).

As discussed in section (2)(b) above, the Consideration will be satisfied by cash under progressive payment terms, of which approximately 73.9% is expected to receive before 31 December 2009. Based on the Pro Forma Financial Information, the Group had bank balances and cash of approximately US$10.0 million (equivalent to approximately HK$77.5 million) as at 30 June 2009 and the unaudited pro forma bank balances and cash of the Remaining Group will significantly increase to approximately US$22.9 million (equivalent to approximately HK$177.5 million). The Group has recorded net current liabilities position of approximately US$30.2 million (equivalent to approximately HK$234.1 million) as at 30 June 2009 and that of the Remaining Group will improve to approximately US$25.0 million (equivalent to approximately HK$193.8 million).

Based on the Pro Forma Financial Information, the Group recorded a gearing ratio (defined as total debts including warrants, convertible bonds and bank borrowings to total assets) of approximately 95.7% as at 30 June 2009, and the Remaining Group's gearing ratio will be increased to approximately 118.3%, which is mainly due to decrease in the total assets in more extent than that of the total debts of the Remaining Group upon Completion.

In view of the foregoing, in particular, the balances of decreases in the pro forma net profit and pro forma net asset value, and increases in the pro forma bank and cash balances and the pro forma gearing ratio, and taking into account (i) the reasons for and benefits of the Disposal as discussed in section (1) above; (ii) the loss making results of the Prowealth Group for the six months ended 30 June 2009 and that no profit was contributed by the Prowealth Group to the Group, after taking into account impairment in goodwill, since the Acquisition Completion Date; (iii) that the Consideration is at a premium of approximately 17.8% to the Valuation of RMB124 million (equivalent to approximately HK$140,120,000); and (iv) as confirmed by the Company, no material working capital is required for the Remaining Group, we are of the view that the impact on the financial position of the Group as a result of the Disposal to be acceptable.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we consider that the Disposal is conducted within the Group's ordinary and usual course of business based on normal commercial terms, and the terms in relation to the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Disposal.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Gary Mui
Executive Director

The following is the text of a report prepared for the purpose of incorporation in the circular received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

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Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

24th December, 2009

The Directors
Fulbond Holdings Limited

Dear Sirs/Madam,

We set out below our report on the financial information (the "Financial Information") relating to Fulbond Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31st December, 2008 and for the six months ended 30th June, 2009 (the "Relevant Periods"), for the inclusion in the circular of the Company dated 24th December, 2009 (the "Circular") in connection with the proposed disposal of 100% equity interest in Prowealth Holdings Group Limited and its subsidiaries ("Prowealth Group").

The Company was incorporated in Bermuda as an exempted company with limited liability. The Company acts as an investment holding company.

As at the date of this report, the Company has interests in the following subsidiaries.

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group					Principal activities
			31st December,			30th June,	At the date of report	
			2006	2007	2008	2009		
Bright Sea Development Limited# ("Bright Sea")	British Virgin Islands ("BVI") 2nd January, 2008	US$100	N/A	N/A	100%	100%	100%	Investment holding
Fair Power Capital Ltd.## ("Fair Power")	BVI 16th April, 2008	US$100	N/A	N/A	100%	100%	100%	Investment holding
Fast Profit Capital Resources Ltd.## ("Fast Profit")	BVI 28th January, 2008	US$100	N/A	N/A	100%	100%	100%	Investment holding

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group					Principal activities
			31st December,			30th June,	At the date of	
			2006	2007	2008	2009	report	
Fulbond Business Service Limited## ("Fulbond Business Service")	Hong Kong 4th May, 2001	HK$2	100%	100%	100%	100%	100%	Provision of management services
Fulbond Corporate Management Limited## ("Fulbond Corporate Management")	Hong Kong 24th January, 2007	HK$10,000	N/A	100%	100%	100%	100%	Provision of management services
Fulbond Digital Systems Limited## ("Fulbond Digital Systems")	Hong Kong 27th June, 2001	HK$2	100%	100%	100%	100%	100%	Trading of electronic products
Fulbond High-Tech Investment Ltd. ("Fulbond High-Tech")	Hong Kong 12th January, 1993	Ordinary HK$200 and deferred HK$200*	100%	100%	100%	100%	100%	Inactive
Fulbond Investments Limited## ("Fulbond Investment")	BVI 9th January, 2007	US$1	N/A	100%	100%	100%	100%	Investment holding
Good Base Investments Ltd. ("Good Base")	Hong Kong 17th April, 2008	HK$100	N/A	N/A	100%	100%	100%	Investment holding
H.K. Zhuoyue Investment Limited# ("H.K. Zhuoyue")	Hong Kong 5th August, 2002	HK$10,000	N/A	N/A	100%	100%	100%	Investment holding
Max Plan Investment Ltd. ("Max Plan")	Hong Kong 19th March, 2008	HK$100	N/A	N/A	100%	100%	100%	Investment holding
Pride Joy Holdings Limited# ("Pride Joy")	BVI 28th June, 2006	US$100	N/A	N/A	100%	100%	100%	Investment holding
Prowealth Holdings Group Limited ("Prowealth")	BVI 17th May, 2007	US$10,000	N/A	N/A	100%	100%	100%	Investment holding
Rich Ocean Hong Kong Group Limited# ("Rich Ocean")	Hong Kong 18th February, 2008	HK$100	N/A	N/A	100%	100%	100%	Investment holding
Senbond Building Materials Limited ("Senbond Building")	Hong Kong 10th June, 1993	Ordinary HK$200 and deferred HK$10,000*	100%	100%	100%	100%	100%	Provision of management services
Smart Chance Holdings Limited# ("Smart Chance")	BVI 28th June, 2006	US$100	N/A	N/A	100%	100%	100%	Investment holding
Ta Fu Flooring Company Limited ("Ta Fu Flooring")	Hong Kong 3rd November, 1994	Ordinary HK$200 and deferred HK$1,000,000*	100%	100%	100%	100%	100%	Investment holding

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group					Principal activities
			31st December,			30th June,	At the date of	
			2006	2007	2008	2009	report	
Ta Fu Furniture Co., Limited ("Ta Fu Furniture")	Hong Kong 13th July, 1993	Ordinary HK$200 and deferred HK$20*	100%	100%	100%	100%	100%	Investment holding
Ta Fu International Development Limited ("Ta Fu International")	Hong Kong 29th September, 1992	Ordinary HK$200 and deferred HK$10,000*	100%	100%	100%	100%	100%	Inactive
Ta Fu Properties Co., Limited ("Ta Fu Properties")	Hong Kong 13th July, 1993	Ordinary HK$200 and deferred HK$20*	100%	100%	100%	100%	100%	Property investment
Ta Fu Strategic Investment Limited## ("Ta Fu Strategic")	BVI 18th August, 1989	US$10,000	100%	100%	100%	100%	100%	Investment holding
Ta Fu Timber Company Limited ("Ta Fu Timber")	Hong Kong 28th November, 1980	Ordinary HK$200 and deferred HK$5,000,000*	100%	100%	100%	100%	100%	Investment holding
TGT Holdings Corporation## ("TGT Holdings")	BVI 13th May, 1994	US$2	100%	100%	100%	100%	100%	Investment holding
Wealth Strong International Limited# ("Wealth Strong")	Hong Kong 19th December, 2005	HK$10,000	N/A	N/A	100%	100%	100%	Investment holding
Wood Art International Corporation## ("Wood Art")	BVI 18th May, 1993	US$10,000	100%	100%	100%	100%	100%	Investment holding
Yield On International Limited# ("Yield On")	Hong Kong 26th April, 2006	HK$100	N/A	N/A	100%	100%	100%	Trading of processed seafood products
海南佳德信食品有限公司 Hainan Jiadexin Foodstuff Co., Ltd.# ("Hainan Jiadexin") *(note 2)*	The People's Republic of China (the "PRC") 3rd December, 2002	RMB5,000,000	N/A	N/A	100%	100%	100%	Processing and distribution of frozen seafood products
沈陽福升中密度板有限公司 Shenyang Fusheng Wood Clipboard Co., Ltd. ("Shenyang Fusheng") *(note 1)*	PRC 16th April, 1997	US$3,000,000	51%	51%	51%	51%	51%	Manufacture and sale of wooden products

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group					Principal activities
			31st December,			30th June,	At the date of	
			2006	2007	2008	2009	report	
吉林省福春木業有限公司 Jilin Fuchun Timber Co., Ltd. ("Jilin Fuchun") *(note 1 & 4)*	PRC 10th August, 1995	RMB17,464,000	55%	55%	–	–	–	Manufacture and sale of wooden products
吉林福敦木業有限公司 Jilin Fudun Timber Co., Ltd. ("Jilin Fudun") *(note 1)*	PRC 18th September, 1995	RMB223,158,165	67%	67%	67%	67%	67%	Manufacture and sale of wooden products
茂名長興食品有限公司 Maoming Changxing Foods Co., Ltd.# ("Maoming Changxing") *(note 2)*	PRC 4th March, 2005	US$5,000,000	N/A	N/A	100%	100%	100%	Processing and distribution of frozen seafood products
茂名嘉興食品有限公司 Maoming Jiaxing Foods ("Maoming Jiaxing") *(note 2 & 5)*	PRC 6th June, 2007	RMB6,487,920	N/A	N/A	100%	100%	100%	Processing and distribution of frozen seafood 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 entitle 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.

Being subsidiaries of Prowealth.

Directly held by the Company.

All of the above subsidiaries are limited liability companies and adopt 31st December as the financial year end date.

As at the date of this report, the Company has the following associates:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group					Principal activities
			31st December,			30th June,	At the date of	
			2006	2007	2008	2009	report	
瀋陽福陽人造板有限公司 Shenyang Fuyang Wood-Basal Panel Ltd. *(note 1)*	PRC 2nd June, 1993	US$5,000,000	40%	40%	40%	40%	40%	Manufacture and sale of wooden products and inactive since 2007

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group					Principal activities
			31st December,			30th June,	At the date of	
			2006	2007	2008	2009	report	
天津福津木業有限公司 Tianjin Fortune Timber Co., Ltd. *(note 1)*	PRC 16th July, 1990	US$17,453,021	49.5%	49.5%	49.5%	49.5%	49.5%	Manufacture and sale of wooden products and inactive since 2007
福華微電子股份有限公司 Fulhua Microelectronics Corporation *(note 6)*	Cayman Islands 27th May, 2002	Ordinary US$100,000 and series A&B Preferred shares US$21,290,572	31.73%	–	–	–	–	Investment holding
湖北福漢木業有限公司 Hubei Fuhan Timber Co., Ltd. *(note 1 & 6)*	PRC 6th September, 1991	US$4,567,565	48%	–	–	–	–	Manufacture and sales of wooden products

Notes:

1. The companies are Sino-foreign equity joint ventures.

2. The companies were established in the form of Wholly Foreign-owned Enterprises.

3. On 17th October, 2008, the Group acquired the remaining interest in Prowealth Group and the Prowealth Group has become subsidiaries of the Company (see note 35).

4. On 5th June, 2008, the Group disposed of its entire interest in Jilin Fuchun to the PRC minority shareholder at a consideration of RMB1,000,000 (see note 36).

5. On 5th June, 2008, the Group acquired certain assets through acquisition of 100% equity interest in Maoming Jiaxing from an independent third party at a cash consideration of RMB4,800,000 (see note 34).

6. On 20th 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. On 13th 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 RMB2,000,000 (see note 18).

No statutory audited financial statements have been prepared for Bright Sea, Fair Power, Fast Profit, Fulbond Investment, Pride Joy, Smart Chance, Ta Fu Strategic, TGT Holdings and Wood Art as these companies were incorporated in jurisdictions where there were no statutory audit requirements.

We have acted as the auditor of Fulbond Business Service, Fulbond Corporate Management, Fulbond Digital Systems, Fulbond High-Tech, Good Base, H.K. Zhuoyue, Max Plan, Rich Ocean, Senbond Building, Ta Fu Flooring, Ta Fu Furniture, Ta Fu International, Ta Fu Properties, Ta Fu Timber, Wealth Strong and Yield On for the Relevant Periods or since their respective dates of incorporation or acquisition by the Group to 31st December, 2008, whenever is shorter.

The statutory financial statements of the following subsidiaries were prepared in accordance with the applicable accounting principles and financial regulations in the PRC and were audited by certified public accountants registered in the PRC where these companies are established as follows:

Name of company	Financial period	Name of auditors
Hainan Jiadexin	For the year ended 31st December, 2008	Hainan Haichang Certified Public Accountants Co. Ltd.
Jilin Fuchun	For each of the three years ended 31st December, 2008	Jilin Zhongcheng Certified Public Accountants Co. Ltd.
Jilin Fudun	For each of the three years ended 31st December, 2008	Yanbian Tianping Certified Public Accountants Co. Ltd.
Maoming Changxing	For the year ended 31st December, 2008	Maoming Mingzheng Certified Public Accountants Co. Ltd.
Maoming Jiaxing	For the year ended 31st December, 2008	Maoming Mingzheng Certified Public Accountants Co. Ltd.
Shenyang Fusheng	For each of the three years ended 31st December, 2008	Hengxinda Certified Public Accountants Co. Ltd.

We have acted as auditors of the Company for the Relevant Periods. Audited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the Relevant Periods. We have examined the audited consolidated financial statements of the Group (the "Underlying Financial Statements") for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods as set out in this report has been prepared based on the Underlying Financial Statements for the Relevant Periods without making any adjustments for the purpose of inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31st December, 2006, 31st December, 2007, 31st December, 2008 and 30th June, 2009 and of the consolidated results and consolidated cash flows of the Group for the Relevant Periods.

Without qualifying our opinion, we draw attention to note 2 of Section E which indicates the Group incurred a loss of US$2,283,000 during the six months ended 30th June, 2009, and as of that date, the Group had current liabilities of US$30,227,000 and net liabilities of US$14,419,000. These conditions, along with other matters set forth in note 2 of Section E, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The comparative consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the six months ended 30th June, 2008 together with the notes thereon (the "30th June, 2008 Financial Information") have been extracted from the Group's unaudited consolidated financial information for the same period which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30th June, 2008 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 30th June, 2008 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the 30th June, 2008 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30th June, 2008 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with Hong Kong Financial Reporting Standards.

A. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31st December,			Six months ended 30th June,	
	NOTES	**2006**	**2007**	**2008**	**2008**	**2009**
		US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Turnover	*8*	26,308	24,016	36,308	10,664	23,011
Cost of sales		(23,379)	(19,299)	(29,232)	(9,683)	(20,193)
Gross profit		2,929	4,717	7,076	981	2,818
Other income	*9*	700	1,694	1,760	151	571
Selling and distribution costs		(3,120)	(3,952)	(2,230)	(913)	(1,103)
Administrative expenses		(3,904)	(4,776)	(5,566)	(2,895)	(3,455)
Other operating expenses		–	(5,016)	(524)	–	–
Impairment loss recognised in respect of property, plant and equipment and prepaid lease payments	*14 & 16*	(268)	(172)	(10,619)	(3,143)	–
Impairment loss recognised in respect of goodwill	*17*	–	–	(21,340)	–	–
Gain on disposal of a subsidiary	*36*	–	–	1,051	1,051	–
Gain on disposal of associates	*18*	–	559	–	–	–
Change in fair value of derivative financial instruments and warrants		–	–	2,265	3,613	2,705
Share of results of associates		(2,692)	(319)	–	–	–
Finance costs	*10*	(883)	(915)	(3,425)	(572)	(3,784)
Loss before taxation	*12*	(7,238)	(8,180)	(31,552)	(1,727)	(2,248)
Taxation	*11*	(1,059)	(586)	(702)	–	(35)
Loss for the year/period		(8,297)	(8,766)	(32,254)	(1,727)	(2,283)
Exchange differences arising on translation of functional currency to presentation currency		1,087	867	581	597	30
Reserves released upon disposal of a subsidiary		–	–	292	292	–
Reserves released upon disposal of associates		–	46	–	–	–
Share of reserves of associates		33	–	–	–	–
Total comprehensive income for the year/period		(7,177)	(7,853)	(31,381)	(838)	(2,253)

	NOTE	Year ended 31st December, 2006 US$'000	2007 US$'000	2008 US$'000	Six months ended 30th June, 2008 US$'000	2009 US$'000
Loss for the year/period attributable to:						
Owners of the Company		(7,017)	(7,455)	(29,174)	(199)	(2,024)
Minority interests		(1,280)	(1,311)	(3,080)	(1,528)	(259)
		(8,297)	(8,766)	(32,254)	(1,727)	(2,283)
Total comprehensive income attributable to:						
Owners of the Company		(6,202)	(6,824)	(29,104)	4	(1,993)
Minority interests		(975)	(1,029)	(2,277)	(842)	(260)
		(7,177)	(7,853)	(31,381)	(838)	(2,253)
Loss per share attributable to owners of the Company	*13*					
– basic		US(0.08) cent	US(0.08) cent	US(0.29) cent	US(0.002) cent	US(0.016) cent
– diluted		N/A	N/A	US(0.29) cent	US(0.041) cent	US(0.024) cent

B. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31st December,			As at 30th June,
	NOTES	**2006**	**2007**	**2008**	**2009**
		US$'000	*US$'000*	*US$'000*	*US$'000*
Non-current assets					
Property, plant and equipment	*14*	14,944	12,967	11,133	10,685
Intangible assets	*15*	–	–	2,539	2,274
Prepaid lease payments	*16*	905	810	3,046	3,020
Other advances		–	–	439	220
Deferred tax asset	*21*	–	–	350	344
Goodwill	*17*	–	–	–	–
Interests in associates	*18*	349	–	–	–
Other investments	*19*	–	–	–	–
Club debenture	*20*	–	–	–	–
		16,198	13,777	17,507	16,543
Current assets					
Inventories	*22*	6,561	6,653	16,685	15,754
Trade and other receivables	*23*	5,986	2,370	18,263	11,301
Deposits and prepayments		1,408	1,585	3,705	6,209
Amounts due from a director of a subsidiary	*26*	–	–	951	345
Prepaid lease payments	*16*	108	63	70	70
Tax recoverable		48	–	–	–
Bank balances and cash	*24*	3,661	6,888	8,882	10,033
		17,772	17,559	48,556	43,712
Current liabilities					
Trade and other payables	*25*	7,265	8,907	14,170	15,040
Amounts due to associates	*26*	531	98	76	76
Amount due to a related party	*27*	–	702	162	162
Amount due to former ultimate holding company	*28*	560	560	–	–
Amounts due to directors of subsidiaries	*26*	–	–	189	580
Taxation payable		–	242	775	407
Warrants	*29*	–	–	15	85
Convertible notes	*30*	–	–	39,054	38,023
Bank and other borrowings – amount due within one year	*31*	10,015	9,769	22,043	19,566
		18,371	20,278	76,484	73,939
Net current liabilities		(599)	(2,719)	(27,928)	(30,227)
Total assets less current liabilities		15,599	11,058	(10,421)	(13,684)

		As at 31st December,			As at 30th June,
	NOTES	**2006**	**2007**	**2008**	**2009**
		US$'000	*US$'000*	*US$'000*	*US$'000*
Non-current liabilities					
Bank and other borrowings					
– amount due after one year	*31*	1,659	1,075	455	–
Deferred tax liability	*21*	–	–	803	735
		1,659	1,075	1,258	735
		13,940	9,983	(11,679)	(14,419)
Capital and reserves					
Share capital	*32*	9,197	9,197	12,954	12,954
Reserves		(240)	(2,689)	(25,831)	(27,824)
Equity attributable to owners of the Company		8,957	6,508	(12,877)	(14,870)
Minority interests		4,983	3,475	1,198	451
		13,940	9,983	(11,679)	(14,419)

C. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Share capital US$'000	Share premium US$'000	Capital reserve US$'000 (Note a)	General reserve US$'000 (Note b)	Exchange translation reserve US$'000	Share option reserve US$'000	Capital redemption reserve US$'000	Accumulated losses US$'000	Sub-total US$'000	Minority interests US$'000	Total US$'000
At 1st January, 2006	9,197	47,640	716	1,585	761	–	4	(44,744)	15,159	7,944	23,103
Exchange differences arising on translation of functional currency to presentation currency	–	–	–	–	782	–	–	–	782	305	1,087
Share of reserves of associates	–	–	–	–	33	–	–	–	33	–	33
Loss for the year	–	–	–	–	–	–	–	(7,017)	(7,017)	(1,280)	(8,297)
Total comprehensive income and expenses for the year	–	–	–	–	815	–	–	(7,017)	(6,202)	(975)	(7,177)
Capital repatriation to a minority shareholder	–	–	–	–	–	–	–	–	–	(1,986)	(1,986)
At 31st December, 2006 and 1st January, 2007	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
Reserves released upon disposal of associates	–	–	(165)	(209)	420	–	–	–	46	–	46
Loss for the year	–	–	–	–	–	–	–	(7,455)	(7,455)	(1,311)	(8,766)
Total comprehensive income and expenses for the year	–	–	(165)	(209)	1,005	–	–	(7,455)	(6,824)	(1,029)	(7,853)
Recognition of equity-settled share-based payment	–	–	–	–	–	4,003	–	–	4,003	–	4,003
Deemed capital contribution from a minority shareholder of a subsidiary	–	–	372	–	–	–	–	–	372	305	677
Dividend paid to a minority shareholder	–	–	–	–	–	–	–	–	–	(784)	(784)
Transfer	–	–	–	593	–	–	–	(593)	–	–	–
	–	–	372	593	–	4,003	–	(593)	4,375	(479)	3,896
At 31st December, 2007 and 1st January, 2008	9,197	47,640	923	1,969	2,581	4,003	4	(59,809)	6,508	3,475	9,983
Exchange differences arising on translation of functional currency to presentation currency	–	–	–	–	304	–	–	–	304	277	581
Reserves released upon disposal of a subsidiary	–	–	(372)	(723)	(234)	–	–	1,095	(234)	526	292
Transfer of share option reserve on cancellation of share options	–	–	–	–	–	(4,003)	–	4,003	–	–	–
Loss for the year	–	–	–	–	–	–	–	(29,174)	(29,174)	(3,080)	(32,254)
Total comprehensive income and expenses for the year	–	–	(372)	(723)	70	(4,003)	–	(24,076)	(29,104)	(2,277)	(31,381)
Recognition of equity-settled share-based payment	–	–	–	–	–	524	–	–	524	–	524
Issue of shares	3,757	5,438	–	–	–	–	–	–	9,195	–	9,195
Transfer	–	–	–	424	–	–	–	(424)	–	–	–
	3,757	5,438	–	424	–	524	–	(424)	9,719	–	9,719
At 31st December, 2008 and 1st January, 2009	12,954	53,078	551	1,670	2,651	524	4	(84,309)	(12,877)	1,198	(11,679)

	Attributable to equity holders of the Company										
	Share capital *US$'000*	**Share premium** *US$'000*	**Capital reserve** *US$'000* *(Note a)*	**General reserve** *US$'000* *(Note b)*	**Exchange translation reserve** *US$'000*	**Share option reserve** *US$'000*	**Capital redemption reserve** *US$'000*	**Accumulated losses** *US$'000*	**Sub-total** *US$'000*	**Minority interests** *US$'000*	**Total** *US$'000*
At 31st December, 2008 and 1st January, 2009	12,954	53,078	551	1,670	2,651	524	4	(84,309)	(12,877)	1,198	(11,679)
Exchange differences arising on translation of functional currency to presentation currency	–	–	–	–	31	–	–	–	31	(1)	30
Loss for the period	–	–	–	–	–	–	–	(2,024)	(2,024)	(259)	(2,283)
Total comprehensive income and expenses for the period	–	–	–	–	31	–	–	(2,024)	(1,993)	(260)	(2,253)
Dividend paid to a minority shareholder	–	–	–	–	–	–	–	–	–	(487)	(487)
Transfer	–	–	–	246	–	–	–	(246)	–	–	–
	–	–	–	246	–	–	–	(246)	–	(487)	(487)
At 30th June, 2009	12,954	53,078	551	1,916	2,682	524	4	(86,579)	(14,870)	451	(14,419)
Unaudited											
At 1st January, 2008	9,197	47,640	923	1,969	2,581	4,003	4	(59,809)	6,508	3,475	9,983
Exchange differences arising on translation of functional currency to presentation currency	–	–	–	–	437	–	–	–	437	160	597
Reserves released upon disposal of a subsidiary	–	–	(372)	(723)	(234)	–	–	1,095	(234)	526	292
Loss for the period	–	–	–	–	–	–	–	(199)	(199)	(1,528)	(1,727)
Total comprehensive income and expenses for the period	–	–	(372)	(723)	203	–	–	896	4	(842)	(838)
At 30th June, 2008	9,197	47,640	551	1,246	2,784	4,003	4	(58,913)	6,512	2,633	9,145

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.

D. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Operating activities					
Loss before taxation	(7,238)	(8,180)	(31,552)	(1,727)	(2,248)
Adjustments for:					
Amortisation of prepaid lease payments	105	118	106	32	26
Amortisation of intangible assets	–	–	110	–	265
Change in fair value of derivative financial instruments and warrants	–	–	(2,265)	(3,613)	(2,705)
Depreciation of property, plant and equipment	2,914	3,100	2,070	1,651	1,639
Interest income	(24)	(46)	(102)	(28)	(54)
Finance costs	883	915	3,425	572	3,784
Share of results of associates	2,692	319	–	–	–
Recognition of share-based payments	–	4,003	524	–	–
Loss (gain) on disposal of property, plant and equipment	11	(43)	212	47	–
Gain on disposal of associates	–	(559)	–	–	–
Gain on disposal of a subsidiary	–	–	(1,051)	(1,051)	–
Allowance for bad and doubtful debts	758	1,021	–	590	–
Write down of inventories to net realisable value	659	424	–	744	–
Impairment loss recognised in respect of club debenture	37	–	–	–	–
Impairment loss recognised in respect of goodwill	–	–	21,340	–	–
Impairment loss recognised in respect of property, plant and equipment and prepaid lease payments	268	172	10,619	3,143	–
Operating cash flows before movements in working capital	1,065	1,244	3,436	360	707
Decrease (increase) in inventories	2,563	(793)	(3,393)	(1,631)	926
Decrease (increase) in trade and other receivables	61	2,342	(5,731)	(813)	6,958
Decrease (increase) in deposits and prepayments	10	(294)	5,513	(21)	(2,506)
Increase in trade and other payables	817	2,251	116	868	335
Cash generated from (used in) operations	4,516	4,750	(59)	(1,237)	6,420
PRC Enterprise Income Tax paid	–	(305)	(401)	(111)	(415)
Net cash generated from (used in) operating activities	4,516	4,445	(460)	(1,348)	6,005

	NOTES	Year ended 31st December, 2006 US$'000	2007 US$'000	2008 US$'000	Six months ended 30th June, 2008 US$'000 (unaudited)	2009 US$'000
Investing activities						
Interest received		24	46	102	28	54
Acquisition of subsidiaries	34 & 35	–	–	1,579	–	–
Purchase of property, plant and equipment		(671)	(772)	(1,502)	(461)	(1,198)
Proceeds from disposal of property, plant and equipment		10	6	1,133	4	–
Proceeds from disposal of a subsidiary	36	–	–	95	95	–
Proceeds from disposal of associates		–	605	–	–	–
Proceeds from disposal of prepaid lease payments		–	107	–	–	–
Loan advances from a third party		–	–	–	–	219
Net cash (used in) from investing activities		(637)	(8)	1,407	(334)	(925)
Financing activities						
Interest paid		(883)	(915)	(941)	(472)	(2,036)
New bank loans raised		8,480	9,084	14,902	–	2,854
Repayment of bank loans		(9,018)	(9,084)	(16,034)	(99)	(5,780)
Repayment to former ultimate holding company		–	–	(588)	(588)	–
Advances from (repayment to) a shareholder		–	702	(540)	(576)	–
Proceeds from issue of convertible note		–	–	3,700	3,700	–
Proceeds from issue of warrants		–	–	192	192	–
Repayment from a director of a subsidiary		–	–	66	–	996
Advances from directors of subsidiaries		–	–	189	–	–
Advances from (repayment to) associates		406	(389)	(22)	–	–
Dividend paid to minority shareholders of a subsidiary		–	(784)	–	–	–
Capital repatriated to a minority shareholder of a subsidiary		(1,986)	–	–	–	–
Net cash (used in) from financing activities		(3,001)	(1,386)	924	2,157	(3,966)
Increase in cash and cash equivalents		878	3,051	1,871	475	1,114
Cash and cash equivalents at the beginning of the year/period		2,635	3,661	6,888	6,888	8,882
Effect of foreign exchange rate changes of cash and cash equivalents		148	176	123	145	37
Cash and cash equivalents at the end of the year/period, representing bank balances and cash		3,661	6,888	8,882	7,508	10,033

E. NOTES TO THE FINANCIAL INFORMATION

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"). The address of the registered office and principal place of business of the Company is 2807, 28th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong.

The Financial information is presented in United States dollar while the functional currency of the Company and its operating subsidiaries are 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 are the manufacturing and sale of wooden products and food processing and distribution.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

In preparing the Underlying Financial Statements, the directors of the Company have given consideration to the future liquidity of the Group. While recognising that the Group incurred a loss of US$2,283,000 during the six months ended 30th June, 2009, and as of that date, the Group had current liabilities of US$30,227,000 and net liabilities of US$14,419,000, the Group has obtained financial support from a shareholder and Chairman of the Company, Mr. Zhang Xi ("Mr. Zhang"), to assist the Group to meet in full its financial obligations as they fall due in the foreseeable future.

Given the condition as described above and provided that the Group can continue to successfully refinance bank borrowings and complete the issuance of the convertible redeemable notes (as set out in section F), the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the Underlying Financial Statements have been prepared on a going concern basis.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS"s)

The HKICPA has issued a number of new and revised Hong Kong Accounting Standards ("HKAS"s) and HKFRSs, Amendments and Interpretations ("INT"s) (hereinafter collectively referred to as "new HKFRSs") which are effective for the Group's financial periods beginning on 1st January, 2009. For the purposes of preparing and presenting the Financial Information for the Relevant Periods, the Group has adopted all these new HKFRSs consistently throughout the Relevant Periods.

The Group has not early applied the following new and revised standards, amendments and interpretations that are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 [1]
HKFRSs (Amendments)	Improvements to HKFRSs in 2009 [2]
HKAS 24 (Revised)	Related party disclosures [3]
HKAS 27 (Revised)	Consolidated and separate financial statements [1]
HKAS 32 (Amendment)	Classification of rights issues [4]
HKAS 39 (Amendment)	Eligible hedged items [1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters [5]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions [5]
HKFRS 3 (Revised)	Business combinations [1]
HKFRS 9	Financial instruments [6]
HK(IFRIC)* – INT 14 (Amendment)	Prepayments of a minimum funding requirement[3]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners [1]
HK(IFRIC) – INT 18	Transfers of assets from customers [7]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[8]

1 Effective for annual periods beginning on or after 1st July, 2009.

2 Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate.

3 Effective for annual periods beginning on or after 1st January, 2011.

4 Effective for annual periods beginning on or after 1st February, 2010.

5 Effective for annual periods beginning on or after 1st January, 2010.

6 Effective for annual periods beginning on or after 1st January, 2013.

7 Effective for transfers on or after 1st July, 2009.

8 Effective for annual periods beginning on or after 1st July, 2010.

* IFRIC represents the International Financial Reporting Interpretations Committee.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting treatment for non-common control business combination for which the acquisition dates are on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. HKFRS 9 will affect the classification and measurement of financial assets, as well as the presentation of relevant information to users of financial statements.

The directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretations will have no material impact on the results and the Financial Information of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared under the historical cost basis except for certain derivative financial instruments, which are measured at fair value as explained in the accounting policies set out below.

Basis of consolidation

The Financial Information 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/period are included in the consolidated statement of comprehensive income from the effective date 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.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition 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 in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or associate at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

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

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 statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the 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 amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

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

Interest income from a financial asset 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 the 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 building 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 value, 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 purposes. Construction in progress is carried at cost less any recognised 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 statement of comprehensive income in the year/period 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.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives.

Impairment losses on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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. An 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 statement of comprehensive income on a straight line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to consolidated statement of comprehensive income on a straight-line basis over the term of the relevant leases. 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 directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised and included in finance costs in the consolidated statement of comprehensive income in the year/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/period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rate that has been enacted or substantially enacted at the end of each reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases 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.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit 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 year/period when the liability is settled or the asset realised. Deferred tax is charged or credited to the consolidated statement of comprehensive income, 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 consolidated statement of financial position 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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. 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.

Interest 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 the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a director of a subsidiary 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 the end of each reporting period subsequent to initial recognition.

Impairment of financial assets

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

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 at 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 assets. 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 loss 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.

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. The Group's financial liabilities include convertible loan notes and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set up below.

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, warrants, convertible notes, amount due to associates, amounts due to a related party/former ultimate holding company/directors of subsidiaries, bank and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes contains liability component, conversion option derivatives and early redemption option derivatives

Convertible loan notes issued by the Group that contain host liability and embedded derivative (conversion option and early redemption option which is not closely related to the host liability component) are classified separately into respective items on initial recognition. Conversion option will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. At the date of issue, the liability and embedded derivatives are recognised at fair value.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The embedded derivatives are measured at fair value with changes in fair value recognised in consolidated statement of comprehensive income.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and conversion embedded derivatives in proportion to the allocation of the proceeds. Transaction costs relating to the embedded derivatives are charged to consolidated statement of comprehensive income immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in consolidated statement of comprehensive income immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Equity instruments

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

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 date when the share options granted vest immediately, with a corresponding increase in share options 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 options 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 the functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. 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 year/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 into the presentation currency of the Group (i.e. United States dollars) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the year/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 translation reserve). Such exchange differences will be transferred to accumulated losses in the year/period in which the group entity is disposed of.

Retirement benefit costs

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Estimated impairment of property, plant and equipment and prepaid lease payments

Property, plant and equipment and prepaid lease payments are stated at cost less subsequent accumulated depreciation/amortisation and accumulated impairment losses. Property, plant and equipment and prepaid lease payments are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimation of the future cash flows generated by each asset or group of assets. If the recoverable amounts are less than the carrying amounts of the property, plant and equipment and prepaid lease payments, the relevant asset's carrying amount is written down to the recoverable amount. If the management's expectation is different, it will impact on the carrying value and write downs of property, plant and equipment and prepaid lease payments in the periods in which such estimate is changed. The carrying amount of property, plant and equipment are US$14,944,000, US$12,967,000, US$11,133,000 and US$10,685,000 at 31st December, 2006, 2007 and 2008 and 30th June, 2009, respectively, and carrying amount of prepaid lease payments are US$1,013,000, US$873,000, US$3,116,000 and US$3,090,000 at 31st December, 2006, 2007 and 2008 and 30th June, 2009, respectively, (net of total accumulated impairment loss of US$268,000, US$440,000, US$11,059,000 and US$11,059,000 at 31st December, 2006, 2007 and 2008 and 30th June, 2009, respectively).

Fair value of embedded conversion option and early redemption option of convertible notes and warrants

The directors of the Company use their judgement in selecting an appropriate valuation technique to determine fair value of embedded conversion option and early redemption option of the convertible notes and warrants which are not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The fair values of these derivative financial liabilities are reassessed at the end of each reporting period with movement to the statement of comprehensive income. In estimating the fair value of these derivative financial liabilities, the Group uses independent valuation which is based on various inputs and estimates based on quoted market rates and adjusted for specific features of the instrument (see notes 29 and 30). If the inputs and estimates applied in the model are different, the carrying amount of these derivative financial liabilities will change. The total carrying value of the embedded conversion options and the early redemption option of convertible notes were US$11,457,000 and US$8,681,000 at 31st December, 2008 and 30th June, 2009, respectively, and the fair value of warrants were US$15,000 and US$85,000 at 31st December, 2008 and 30th June, 2009, respectively.

6. 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 during the Relevant Periods.

The capital structure of the Group consists of net debts, which include bank and other borrowings, convertible notes, bank balances and cash as disclosed in respective notes, and equity attributable to owners 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 considers the cost of capital will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debts.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Financial assets				
Loan and receivables (including cash and cash equivalents)	9,647	9,258	28,096	21,679
Financial liabilities				
Amortised cost	19,340	19,694	63,682	64,434
Derivative financial instruments	–	–	11,472	8,766
	19,340	19,694	75,154	73,200

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, trade and other payables, amounts due to a related party/former ultimate holding company and amounts due from (to) associates/directors of subsidiaries, warrants, convertible notes, 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

Currency risk

Several subsidiaries of the Company have foreign currency sales and certain trade receivables and borrowings (see note 23 and 31 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 the end of each reporting period are as follows:

	Assets				Liabilities			
	As at 31st December,			As at 30th June,	As at 31st December,			As at 30th June,
	2006	2007	2008	2009	2006	2007	2008	2009
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
United States Dollars	28	519	4,824	4,260	925	631	3,641	3,391
Hong Kong Dollars	1,614	915	184	534	1,890	2,832	36,551	35,835
	1,642	1,434	5,008	4,794	2,815	3,463	40,192	39,226

Sensitivity analysis

The Group mainly exposes to exchange rate fluctuations of United States Dollars and Hong Kong Dollars. The following table details the Group's sensitivity to a 5% for the year ended 31st December, 2006 and 2007 and 10% for the year ended 31st December, 2008 and the six months ended 30th June, 2009, respectively increase in RMB against the relevant foreign currency while all other variables are held constant. The above rates are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. As a result of the volatile financial market in 2008, the management adjusted the sensitivity rate from 5% to 10% for the purpose of assessing foreign currency risk. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% for the year ended 31st December, 2006 and 2007 and 10% for the year ended 31st December, 2008 and the six months ended 30th June, 2009, respectively 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 an increase in loss for the Relevant Periods where RMB strengthen 5% for the year ended 31st December, 2006 and 2007 and 10% for the year ended 31st December, 2008 and the six months ended 30th June, 2009, respectively against the relevant currency while a negative number represents a decrease in loss for the year/period. For a 5% for the year ended 31st December, 2006 and 2007 and 10% for the year ended 31st December, 2008 and the six months ended 30th June, 2009, respectively strengthening of the relevant currency against RMB, there would be an equal and opposite impact on the result for the Relevant Periods.

	As at 31st December,			Six months ended 30th June, 2009
	2006	2007	2008	
	US$'000	US$'000	US$'000	US$'000
United States Dollars	(2)	(26)	118	87
Hong Kong Dollars	(35)	(13)	(3,637)	(3,530)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings, convertible notes 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 are 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 end of the reporting period. For short-term bank deposits, the analysis is prepared assuming the amount of deposits at the end of each reporting period was existing for the year/period. A 50 basis point for the year ended 31st December, 2006, 2007 and 2008 and the six months ended 30th June, 2009, respectively increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been 50 basis point higher and all other variables were held constant, the Group's loss would have decreased/increased by approximately US$48,000, US$36,000, US$43,000 and US$24,000 for the year ended 31st December, 2006, 2007, and 2008 and for the six months ended 30th June, 2009, respectively. There would be an equal and opposite impact on the result for the years/period where there had been 50 basis lower.

Other price risk

The Group was exposed to equity price risk arising from the conversion option components and early redemption option of the convertible notes and warrants. The fair values of the conversion option component and early redemption option were calculated using the Black-Scholes Pricing Model and binomial option pricing model, respectively, and the fair value of the warrants were calculated using the Black-Scholes option pricing model. Details of these derivative financial instruments are set out in notes 29 and 30.

If the input of share price to the valuation model of the conversion option components and early redemption option of the convertible notes and warrants had been 20% higher while all other variables were held constant, the loss for the year/period would decrease as follows:

	Year ended 31st December,			Six months ended 30th
	2006	**2007**	**2008**	**June, 2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Higher by 20%				
– Conversion option components	–	–	(12)	(64)
– Early redemption option	–	–	112	308
– Warrants	–	–	(20)	(84)
	–	–	80	160

There will be an equal and opposite impact on the loss for the Relevant Periods where there had been 20% 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 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. 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 the end of each reporting period 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.

Credit risk on amount due from a director of a subsidiary is concentrated from a single party and the maximum exposure to credit risk in respect of such concentration is the carrying amount as stated on the consolidated statement of financial position. Management considers based on good repayment history and financial creditability of the individual, there is no significant credit risk.

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 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 net current liabilities of US$30,227,000 and net liabilities of US$14,419,000 at 30th June, 2009. As outlined in note 2, the directors of the Company have obtained financial support from a shareholder of the Company Mr. Zhang to assist the Group to meet in full its financial obligations as they fall due in the foreseeable future. In addition, provided that the Group can continue to successfully refinance its bank borrowings and received proceeds from the issuance of the convertible redeemable notes, 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 or less than 3 months	Over 3 months but not more than 6 months	Over 6 months but not more than 1 year	Over 1 year but not more than 5 years	Total undiscounted cash flows	Carrying amount
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at 31st December, 2006							
Trade and other payables	–	6,575	–	–	–	6,575	6,575
Amounts due to associates	–	531	–	–	–	531	531
Amount due to former ultimate holding company	–	560	–	–	–	560	560
Bank and other borrowings	6.0	3,015	1,253	6,174	1,780	12,222	11,674
		10,681	1,253	6,174	1,780	19,888	19,340
As at 31st December, 2007							
Trade and other payables	–	7,490	–	–	–	7,490	7,490
Amounts due to associates	–	98	–	–	–	98	98
Amounts due to a related party	–	702	–	–	–	702	702
Amounts due to former ultimate holding company	–	560	–	–	–	560	560
Bank and other borrowings	6.7	2,167	1,376	6,703	1,169	11,415	10,844
		11,017	1,376	6,703	1,169	20,265	19,694
As at 31st December, 2008							
Trade and other payables	–	13,160	–	–	–	13,160	13,160
Amounts due to associates	–	76	–	–	–	76	76
Amount due to a related party	–	162	–	–	–	162	162
Amounts due to directors of subsidiaries	–	189	–	–	–	189	189
Convertible notes and warrants	6.0	39,921	1,198	1,198	5,268	47,585	39,069
Bank and other borrowings	7.3	1,991	1,541	19,197	519	23,248	22,498
		55,499	2,739	20,395	5,787	84,420	75,154
As at 30th June, 2009							
Trade and other payables	–	14,708	–	–	–	14,708	14,708
Amounts due to associates	–	76	–	–	–	76	76
Amount due to a related party	–	162	–	–	–	162	162
Amounts due to directors of subsidiaries	–	580	–	–	–	580	580
Convertible notes and warrants	6.0	39,921	1,198	1,068	4,089	46,276	38,108
Bank and borrowings	5.4	8,666	7,934	3,343	–	19,943	19,566
		64,113	9,132	4,411	4,089	81,745	73,200

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input; and

- the fair value of the warrants and the embedded conversion option and early redemption option of the convertible notes are estimated using option model and discounted cash flows analysis and the inputs into the model are disclosed in notes 29 and 30. The inputs in the models are based on unadjusted quoted prices in active markets (level 1) and prices which are indirectly derived from quoted prices (level 2).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

8. TURNOVER AND SEGMENT INFORMATION

Business segments

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st January, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to segments and to assess their performance.

Prior to 1st January, 2008, segment information reported externally was analysed on the basis of the types of goods supplied by the Group's principal operating divisions (i.e. blockboard and particle board, door skin and other wooden products). However, since the acquisition of a new food processing and distribution business and the downsizing of the timber related business in 2008, information reported to the Group's Chairman for the purpose of resource allocation and assessment of performance has changed and focuses on only two business segments. The Group's reportable segments during the Relevant Periods under HKFRS 8 are therefore as follows:

- timber-manufacture of and trading in wooden products including blockboard and particle board, door skin and other wooden products;

- others – high-technology related business through investments in associates (disposed in 2007); and

- food processing and distribution-processing and distribution of frozen seafood products

Consolidated statements of comprehensive income

For the year ended 31st December, 2006

	Timber	Others	Consolidated
	US$'000	*US$'000*	*US$'000*
TURNOVER			
External sales	26,308	–	26,308
SEGMENT RESULT	(2,595)	–	(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)

For the year ended 31st December, 2007

	Timber	Others	Consolidated
	US$'000	*US$'000*	*US$'000*
TURNOVER			
External sales	24,016	–	24,016
SEGMENT RESULT	(1,671)	–	(1,671)
Unallocated corporate income			79
Unallocated corporate expenses			(5,913)
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)

For the year ended 31st December, 2008

	Timber	Food processing and distribution	Consolidated
	US$'000	*US$'000*	*US$'000*
TURNOVER			
External sales	21,883	14,425	36,308
SEGMENT RESULT	(8,062)	1,904	(6,158)
Unallocated corporate income			145
Unallocated corporate expenses			(4,090)
Impairment loss recognised in respect of goodwill	–	(21,340)	(21,340)
Change in fair value of derivative financial instruments and warrants			2,265
Finance costs			(3,425)
Gain on disposal of a subsidiary	1,051	–	1,051
Loss before taxation			(31,552)
Taxation			(702)
Loss for the year			(32,254)

For the six months ended 30th June, 2009

	Timber	Food processing and distribution	Consolidated
	US$'000	*US$'000*	*US$'000*
TURNOVER			
External sales	6,323	16,688	23,011
SEGMENT RESULT	(642)	228	(414)
Unallocated corporate income			54
Unallocated corporate expenses			(809)
Change in fair value of derivative financial instruments and warrants			2,705
Finance costs			(3,784)
Loss before taxation			(2,248)
Taxation			(35)
Loss for the period			(2,283)

For the six months ended 30th June, 2008 (unaudited)

	Timber and consolidated *US$'000*
TURNOVER	
External sales	10,664
SEGMENT RESULT	(4,901)
Unallocated corporate income	71
Unallocated corporate expenses	(989)
Change in fair value of derivative financial instruments and warrants	3,613
Finance costs	(572)
Gain on disposal of a subsidiary	1,051
Loss before taxation	(1,727)
Taxation	–
Loss for the period	(1,727)

Consolidated statements of financial position

	As at 31st December,			As at 30th June,
	2006 *US$'000*	**2007** *US$'000*	**2008** *US$'000*	**2009** *US$'000*
ASSETS				
Segment assets				
– Timber	29,701	23,398	13,929	11,315
– Food processing and distribution	–	–	39,599	36,290
	29,701	23,398	53,528	47,605
Interest in associates	349	–	–	–
Unallocated corporate assets	3,920	7,938	12,535	12,650
Consolidated total assets	33,970	31,336	66,063	60,255
LIABILITIES				
Segment liabilities				
– Timber	5,827	8,833	3,185	3,189
– Food processing and distribution	–	–	4,733	4,596
	5,827	8,833	7,918	7,785
Unallocated corporate liabilities	14,203	12,520	69,824	66,889
Consolidated total liabilities	20,030	21,353	77,742	74,674

The Group's unallocated corporate assets at the end of each reporting period mainly consist of other investments, club debentures, amount due from a director of a subsidiary, and bank balances and cash. The Group's unallocated corporate liabilities at the end of each reporting period mainly consist of amounts due to a related party/former ultimate holding company/directors of subsidiaries, warrants, convertible notes and bank and other borrowings.

Other information

For the year ended 31st December, 2006

	Timber *US$'000*	**Unallocated** *US$'000*	**Consolidated** *US$'000*
Addition of property, plant and equipment	671	–	671
Amortisation of prepaid lease payments	105	–	105
Depreciation of property, plant and equipment	2,867	47	2,914
Loss on disposal of property, plant and equipment	11	–	11
Allowance for bad and doubtful debts	689	69	758
Write down of inventories to net realisable value	659	–	659
Impairment loss recognised in respect of construction in progress	268	–	268

For the year ended 31st December, 2007

	Timber *US$'000*	**Unallocated** *US$'000*	**Consolidated** *US$'000*
Addition of property, plant and equipment	706	66	772
Amortisation of prepaid lease payments	118	–	118
Depreciation of property, plant and equipment	3,036	64	3,100
Gain on disposal of property, plant and equipment	43	–	43
Allowance for bad and doubtful debts	1,021	–	1,021
Write down of inventories to net realisable value	424	–	424
Share-based payments	–	4,003	4,003
Impairment loss recognised in respect of property, plant and equipment	164	8	172

For the year ended 31st December, 2008

	Timber *US$'000*	**Food processing and distribution** *US$'000*	**Unallocated** *US$'000*	**Consolidated** *US$'000*
Addition of property, plant and equipment	883	518	101	1,502
Amortisation of prepaid lease payments	64	42	–	106
Depreciation of property, plant and equipment	1,865	166	39	2,070
Loss (gain) on disposal of property, plant and equipment	310	–	(98)	212
Share-based payments	–	–	524	524
Impairment loss recognised in respect of property, plant and equipment and prepaid lease payments	10,619	–	–	10,619

For the six months ended 30th June, 2009

	Timber	Food processing and distribution	Unallocated	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*
Addition of property, plant and equipment	671	525	2	1,198
Amortisation of prepaid lease payments	–	26	–	26
Depreciation of property, plant and equipment	1,032	587	20	1,639

For the six months ended 30th June, 2008 (unaudited)

	Timber	Unallocated	Consolidated
	US$'000	*US$'000*	*US$'000*
Addition of property, plant and equipment	401	80	481
Amortisation of prepaid lease payments	32	–	32
Depreciation of property, plant and equipment	1,633	18	1,651
Loss on disposal of property, plant and equipment	47	–	47
Allowance for bad and doubtful debts	590	–	590
Write down of inventories to net realisable value	744	–	744
Impairment loss recognised in respect of property, plant and equipment	3,143	–	3,143

9. OTHER INCOME

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Value added tax refunded *(Note)*	545	1,202	875	81	98
Interest income	24	46	102	28	54
Gain on disposal of property, plant and equipment	–	43	–	–	–
Rental income from lease of property, plant and equipment	60	258	–	–	–
Sales of scrap materials	–	–	313	42	86
Sub-contracting income	–	–	114	–	–
Others	71	145	356	–	333
	700	1,694	1,760	151	571

Note: Certain subsidiaries of the Company established in the PRC are involved in the production of wooden products which require the use of raw material 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.

10. FINANCE COSTS

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Interest on:					
– borrowings from bank and other financial institutions wholly repayable within five years	786	830	868	334	548
– three-year loan notes	97	80	73	36	30
– other borrowings	–	5	–	–	–
Effective interest expense on convertible notes wholly repayable within five years	–	–	2,484	202	3,206
	883	915	3,425	572	3,784

11. TAXATION

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Tax charge comprises:					
PRC Enterprise Income Tax	59	586	727	–	48
Deferred tax charge (credit) *(Note 21)*	1,000	–	(25)	–	(62)
Withholding tax on distributed profit	–	–	–	–	49
	1,059	586	702	–	35

No provision for Hong Kong Profits Tax has been made as the Group have no assessable profits during the Relevant Periods.

The 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 16th 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 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate from 15% to 25% at progressive rates gradually for certain subsidiaries, and from 24% to 25% for certain subsidiaries from 1st January, 2008.

The taxation for the Relevant Periods can be reconciled to the loss before taxation per the consolidated statements of comprehensive income as follows:

	Year ended 31st December,			Six months ended 30th June,	
	2006	**2007**	**2008**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Loss before taxation	(7,238)	(8,180)	(31,552)	(1,727)	(2,248)
Tax at the domestic income tax rate (33% for 2006 and 2007; 25% for 2008 and 2009)	(2,389)	(2,699)	(7,888)	(432)	(562)
Tax effect of share of results of associates	888	105	–	–	–
Tax effect of expenses not deductible for tax purpose	248	1,473	6,080	120	764
Tax effect of income not taxable for tax purpose	(201)	(125)	(878)	(1,212)	(696)
Effect of different tax rates of subsidiaries operating in other jurisdictions	216	228	360	114	193
Effect of preferential tax rates of subsidiaries operating in other jurisdictions	–	–	(340)	(35)	(90)
Tax effect of deductible temporary differences not recognised	1,051	683	2,578	1,087	–
Tax effect of tax losses not recognised	246	921	790	358	377
Deferred tax assets written-off	1,000	–	–	–	–
Withholding tax on distributed profits	–	–	–	–	49
Taxation for the year/period	1,059	586	702	–	35

12. LOSS FOR THE RELEVANT PERIODS

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Loss for the year/period has been arrived at after charging (crediting):					
Directors' emoluments *(Note a)*					
– fees and other emoluments	92	407	567	197	151
– share-based payment for directors (included in other operating expenses)	–	1,216	388	–	–
– retirement benefits scheme contribution	2	8	7	4	2
	94	1,631	962	201	153
Employees' salaries and benefits expenses	1,204	1,472	2,772	1,016	590
Share-based payments for employees (included in other operating expenses)	–	2,787	136	–	–
Compensation for laid off of employees in the PRC (included in other operating expenses)	–	1,013	–	–	–
Retirement benefits scheme contributions for staff other than directors *(Note b)*	353	328	271	120	58
	1,651	7,231	4,141	1,337	801
Allowance for bad and doubtful debts	758	1,021	–	590	–
Amortisation of prepaid lease payments	105	118	106	32	26
Amortisation of intangible assets	–	–	110	–	265
Auditor remuneration	232	204	279	38	42
Depreciation of property, plant and equipment	2,914	3,100	2,070	1,651	1,639
Net exchange loss (gain)	–	30	227	–	(3)
Loss (gain) on disposal of property, plant and equipment	11	(43)	212	47	–
Minimum lease payments under operating leases in respect of rented premises	45	169	240	110	109
Write down of inventories to net realisable value	659	424	–	744	–
Cost of inventories recognised as expenses	22,821	18,875	29,232	8,714	17,469

(a) Emoluments of directors and highest paid employees

(i) The emoluments paid or payable to each of the 12, 12, 9, 7 and 7 directors of the Company for the year ended 31st December, 2006, 2007, 2008 and six months ended 30th June, 2008 and 2009, respectively were as follows:

	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[(1)] 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 31st December,2006													
Fees	4	4	4	2	2	2	–	5	–	5	5	–	33
Other emoluments	–	–	–	–	–	–	59	–	–	–	–	–	59
Retirement benefits scheme contributions	–	–	–	–	–	–	2	–	–	–	–	–	2
	4	4	4	2	2	2	61	5	–	5	5	–	94

	Zhang Xi	Zhang Huafang	Cai Duanhong	Catherine[(2)] Chen	Hong Po Kui, Martin	Yam Tak Fai, Ronald	Wong Man Hin, Raymond	Yang[(3)] Ding-Yuan	Meng[(3)] Tung-Mei, Grace	Edward[(4)] S. Yang	Lo[(4)] I Wang	Chang[(4)] 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 31st December,2007													
Fees	77	77	77	77	33	33	33	–	–	–	–	–	407
Share-based payments	317	–	–	899	–	–	–	–	–	–	–	–	1,216
Retirement benefits scheme contributions	2	2	2	2	–	–	–	–	–	–	–	–	8
	396	79	79	978	33	33	33	–	–	–	–	–	1,631

	Zhang Xi	Zhang[(5)] Huafang	Cai[(6)] Duanhong	Catherine Chen	Chen[(7)] Wyman, Paul	Hong Po Kui, Martin	Yam Tak Fai, Ronald	Wong Man Hin, Raymond	Chiu Sui[(8)] Keung	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
For the year ended 31st December, 2008										
Fees	77	77	46	77	1	31	31	31	12	383
Other emoluments	–	–	–	184	–	–	–	–	–	184
Share-based payments	194	–	–	194	–	–	–	–	–	388
Retirement benefits scheme contributions	2	2	1	2	–	–	–	–	–	7
	273	79	47	457	1	31	31	31	12	962

	Zhang Xi	Catherine Chen	Chen Wyman, Paul	Hong Po Kui, Martin	Yam Tak Fai, Ronald	Wong Man Hin, Raymond	Chiu Sui Keung	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
For the six months ended 30th June, 2009								
Fees	38	38	15	15	15	15	15	151
Other emoluments	–	–	–	–	–	–	–	–
Retirement benefits scheme contributions	1	1	–	–	–	–	–	2
	39	39	15	15	15	15	15	153

	Zhang Xi *US$'000*	Zhang Huafang *US$'000*	Cai Duanhong *US$'000*	Catherine Chen *US$'000*	Hong Po Kui, Martin *US$'000*	Yam Tak Fai, Ronald *US$'000*	Wong Man Hin, Raymond *US$'000*	Total *US$'000*
For the six months ended 30th June, 2008 (unaudited)								
Fees	38	38	38	38	15	15	15	197
Other emoluments	–	–	–	–	–	–	–	–
Retirement benefits scheme contributions	1	1	1	1	–	–	–	4
	39	39	39	39	15	15	15	201

(i) Notes:

(1) Chan Ting Fung, Tim was an independent non-executive director of the Company and resigned in February 2006.

(2) Catherine Chen was appointed as an executive director of the Company in January 2007.

(3) Yang Ding Yuan and Meng Tung-Mei, Grace were the executive directors of the Company for the year ended 31st December, 2006 and have resigned in January 2007.

(4) Edward S. Yang, Lo I Wang and Chang Jing Yue were the independent non-executive directors for the year ended 31st December, 2006 and have resigned in January 2007.

(5) Zhang Huafang was an executive director for the two years ended 31st December, 2007 and has resigned in December 2008.

(6) Cai Duanhong was an executive director for the two years ended 31st December 2007 and has resigned in August 2008.

(7) Cheng Wyman, Paul was appointed as an executive director of the Company in December 2008.

(8) Chiu Sui Keung was appointed as a non-executive director of the Company in September 2008.

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

	Year ended 31st December,			Six months ended 30th June,	
	2006 Number of directors	2007 Number of directors	2008 Number of directors	2008 Number of directors	2009 Number of directors
Nil – HK$1,000,000	12	10	7	7	7
HK$1,500,001 – HK$2,000,000	–	–	1	–	–
HK$3,000,001 – HK$3,500,000	–	1	–	–	–
Over HK$3,500,000	–	1	1	–	–
	12	12	9	7	7

(iii) Of the five individuals with the highest emoluments in the Group, one, two, two, two and two for the year ended 31st December, 2006, 2007 and 2008 and the six months ended 30th June, 2008 and 2009, respectively, were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining four, three, three, three and three for the year ended 31st December, 2006, 2007 and 2008 and the six months ended 30th June, 2008 and 2009, respectively, individuals are as follows:

	Year ended 31st December,			Six months ended 30th June,	
	2006 *US$'000*	2007 *US$'000*	2008 *US$'000*	2008 *US$'000* (unaudited)	2009 *US$'000*
Salaries and other benefits	454	409	1,141	190	178
Retirement benefit scheme contributions	5	2	5	2	2
	459	411	1,146	192	180

(iv) Their emoluments were within the following band:

	Year ended 31st December,			Six months ended 30th June,	
	2006 Number of individuals	2007 Number of individuals	2008 Number of individuals	2008 Number of individuals	2009 Number of individuals
Not exceeding HK$1,000,000	4	2	1	3	3
HK$2,000,001 – HK$2,500,000	–	1	1	–	–
HK$5,000,001 – HK$5,500,000	–	–	1	–	–
	4	3	3	3	3

(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 basic 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 statements of comprehensive income of US$355,000, US$336,000, US$278,000, US$121,000 and US$60,000 for the year ended 31st December, 2006, 2007 and 2008 and the six months ended 30th June, 2008 and 2009, respectively, represents contributions to the schemes by the Group at rates specified in the rules of the respective schemes.

13. LOSS PER SHARE

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

	Year ended 31st December,			Six months ended 30th June,	
	2006	**2007**	**2008**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Loss for purpose of calculation of basic loss per share	(7,017)	(7,455)	(29,174)	(199)	(2,024)
Effect of dilutive potential ordinary shares:					
– Interest on convertible notes			984	202	1,201
– Change in fair value of embedded conversion option and early redemption option			(3,565)	(3,976)	(2,797)
– Exchange realignment of convertible notes			102	(2)	(1)
Loss for purpose of calculation of diluted loss per share			(31,653)	(3,975)	(3,621)

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008	2009
Number of shares:					
Weighted average number of ordinary shares for purposes of calculation of basic loss per share	9,197,779,755	9,197,779,755	9,977,888,607	9,197,779,755	12,954,619,755
Effect of dilutive potential ordinary shares in respect of convertible notes			826,502,732	390,869,159	1,871,066,977
Weighted average number of ordinary shares for the purpose of calculation of diluted loss per share			10,804,391,339	9,588,648,914	14,825,686,732

The computation of diluted loss per share for the year/period ended 31st December, 2008, 30th June, 2008 and 30th June, 2009 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares during the year/period. In addition, it does not assume the exercise of the Company's outstanding warrants and conversion of certain convertible notes since their exercise and conversion would result in a decrease in the loss per share.

No diluted loss per share has been presented for the year ended 31st December, 2006 and 2007 as the exercise of the outstanding share options would result in a decrease in the loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvement	Plant and equipment	Furniture and fittings	Motor vehicles	Construction in progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
COST							
At 1st 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
Reclassification	38	–	737	–	–	(775)	–
Disposals	–	–	–	–	(69)	–	(69)
At 31st December, 2006 and 1st 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 31st December, 2007 and 1st January, 2008	11,289	37	38,922	56	1,199	1,091	52,594
Currency realignment	693	–	2,237	1	64	56	3,051
Acquisition of subsidiaries *(note 34 & 35)*	5,013	–	3,488	70	188	378	9,137
Additions	35	91	569	11	280	516	1,502
Reclassification	114	–	–	–	–	(114)	–
Disposals	(1,640)	(46)	(1,055)	(26)	(43)	(283)	(3,093)
Disposal of a subsidiary	(408)	–	(437)	–	(382)	–	(1,227)
At 31st December, 2008 and 1st January, 2009	15,096	82	43,724	112	1,306	1,644	61,964
Currency realignment	(5)	–	(14)	–	–	(1)	(20)
Additions	2	–	1,049	24	–	123	1,198
Reclassification	555	–	–	–	–	(555)	–
At 30th June, 2009	15,648	82	44,759	136	1,306	1,211	63,142

	Land and buildings	Leasehold improvement	Plant and equipment	Furniture and fittings	Motor vehicles	Construction in progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1st 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 31st December, 2006 and 1st 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 31st December, 2007 and 1st January, 2008	5,178	7	33,010	34	1,122	276	39,627
Currency realignment	325	–	1,968	–	51	–	2,344
Provided for the year	654	32	1,354	17	13	–	2,070
Impairment loss recognised	5,429	–	4,288	–	48	–	9,765
Eliminated on disposal	(602)	(27)	(805)	(23)	(15)	(276)	(1,748)
Eliminated on disposal of a subsidiary	(408)	–	(437)	–	(382)	–	(1,227)
At 31st December, 2008 and 1st January, 2009	10,576	12	39,378	28	837	–	50,831
Currency realignment	(2)	–	(7)	–	(4)	–	(13)
Provided for the period	528	14	1,051	21	25	–	1,639
At 30th June, 2009	11,102	26	40,422	49	858	–	52,457
CARRYING VALUES							
At 31st December, 2006	6,319	–	8,161	1	142	321	14,944
At 31st December, 2007	6,111	30	5,912	22	77	815	12,967
At 31st December, 2008	4,520	70	4,346	84	469	1,644	11,133
At 30th June, 2009	4,546	56	4,337	87	448	1,211	10,685

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

During the year ended 31st December, 2008, the directors conducted a review of the Group's property, plant and equipment and determined that a number of those assets were specifically identified to be obsolete. In addition, due to the sustained losses in the cash generating unit ("CGU") for timber (which also equal to business segment), further impairment losses were identified for property, plant and equipment of this CGU based on its recoverable amount. Accordingly, impairment loss of US$9,765,000 has been recognised in respect of plant and equipment and other assets, which are used in the Group's timber segment. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rates in measuring the amounts of value in use was 22% in relation to these assets.

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

	As at 31st December,			**As at 30th June,**
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
The carrying value of the Group's leasehold land and buildings are held under:				
Medium term lease in Hong Kong	669	625	–	–
Short term leases in the PRC	5,650	5,486	4,520	4,546
	6,319	6,111	4,520	4,546

15. INTANGIBLE ASSETS

	Customer relationship	**License**	**Total**
	US$'000	*US$'000*	*US$'000*
COST			
Acquired on acquisition of subsidiaries (note 35) and the balance at 31st December, 2008 and 30th June, 2009	2,579	70	2,649
AMORTISATION			
Charge for the year and balance at 31st December, 2008	(107)	(3)	(110)
Charge for the period	(258)	(7)	(265)
At 30th June, 2009	(365)	(10)	(375)
CARRYING VALUE			
At 31st December, 2008	2,472	67	2,539
At 30th June, 2009	2,214	60	2,274

The intangible assets were purchased as part of a business combination during the year ended 31st December, 2008 and have a definite useful life which are amortised on straight-line basis over the estimated useful life of five years.

16. PREPAID LEASE PAYMENTS

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*
The Group's prepaid lease payments comprise:				
Short term lease in the PRC	1,013	873	3,116	3,090
Less: Current portion shown under current assets	(108)	(63)	(70)	(70)
	905	810	3,046	3,020

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

At 31st December, 2008, as a result of the sustained losses in the CGU for timber (which also equal to business segments), impairment loss was identified for prepaid lease payments of this CGU based on their recoverable amounts. Accordingly, impairment losses of US$854,000 has been recognised in respect of prepaid lease payments, which are used in the Group's timber segments.

17. GOODWILL

	US$'000
CARRYING VALUE	
Arising on acquisition of subsidiaries *(Note 35)*	21,340
Impairment loss recognised	(21,340)
At 31st December, 2008 and 30th June, 2009	–

During the year ended 31st December, 2008, the Group acquired 100% of the issued share capital of a company, the subsidiaries of which are engaged in the processing and distribution of frozen seafood products business. The goodwill was attributable to the CGU of food processing and distribution segment.

At 31st December, 2008, the directors of the Company had conducted a review of the carrying value of goodwill. As a result of the significant downturn in the global economy after the completion of the acquisition, the actual results of the CGU did not meet the management's expectations and the recoverable amount of this CGU is determined to be approximately US$21 million lower than the carrying amount of the CGU. As a result, the goodwill arising from the acquisition was identified to be fully impaired and the corresponding impairment loss was recognised in the consolidated statement of comprehensive income.

The recoverable amount of the food processing and distribution CGU is determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5 year period, and a discount rate of 20%. The cash flows beyond the 5 year period are extrapolated using a steady growth rate of 2%. This growth rate is based on the industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations related to the estimation of cash inflow/outflows which include budgeted sales and expected gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

18. INTERESTS IN ASSOCIATES

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*
Cost of unlisted investments	9,680	2,000	2,000	2,000
Share of reserves	447	463	463	463
Share of post-acquisition losses	(9,778)	(2,463)	(2,463)	(2,463)
	349	–	–	–

On 20th 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 13th 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 RMB2,000,000 (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:

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*
Total assets	9,361	1,060	1,118	1,118
Total liabilities	(11,711)	(975)	(907)	(907)
Net assets	(2,350)	85	211	211
Group's share of net assets	349	–	–	–
Revenue	17,472	1,979	–	–
Loss for the year	(8,405)	(990)	–	–
Group's share of loss for the year/period	(2,692)	(319)	–	–

19. OTHER INVESTMENTS

The investments classified as available-for-sale investments as at 31st December, 2006, 2007 and 2008 and 30th June, 2009 comprise:

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Equity securities				
Costs of investments	3,116	3,116	1,142	1,142
Less: Impairment loss recognised	(3,116)	(3,116)	(1,142)	(1,142)
	–	–	–	–

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 the end of each reporting period 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.

On 31st July, 2008, the Group disposed of its entire interest in private entity incorporated in Taiwan at a consideration NT100,000 (equivalent to US$3,000) giving rise to gain on disposal of US$3,000.

20. CLUB DEBENTURE

	US$'000
Cost	37
Less: Impairment loss recognised	(37)
At 31st December, 2006, 2007 and 2008 and 30th June, 2009	–

The fair value of the Group's club debenture as at 31st December, 2006, 2007 and 2008 and 30th June, 2009 was nil. The valuation was determined by reference to recent market prices for similar debentures.

21. DEFERRED TAXATION

The following are the major deferred tax (asset) and liability recognised and movements thereon during the year:

	Allowance for bad and doubtful debts	Allowance for slow moving inventories	Tax losses	Impairment loss in respect of plant and equipment	Accelerated accounting depreciation	Difference in depreciation	Intangible assets	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1st January, 2006	(449)	(24)	(76)	(83)	(311)	–	–	(943)
Currency realignment	(27)	(1)	(5)	(5)	(19)	–	–	(57)
Charge for the year	476	25	81	88	330	–	–	1,000
At 31st December, 2006 and 31st December, 2007	–	–	–	–	–	–	–	–
Acquired on acquisition of subsidiaries *(note 35)*	–	–	–	–	–	(184)	662	478
Charged for the year	–	–	–	–	–	2	(27)	(25)
At 31st December, 2008	–	–	–	–	–	(182)	635	453
Charged for the period	–	–	–	–	–	–	(62)	(62)
At 30th June, 2009	–	–	–	–	–	(182)	573	391

For the purpose of presentation on the consolidated statement of financial position, certain deferred tax asset and liability have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*
Deferred tax asset	–	–	(350)	(344)
Deferred tax liability	–	–	803	735
	–	–	453	391

The Group had unused tax losses of US$16,953,000, US$19,744,000, US$16,746,000 and US$13,640,000 as at 31st December, 2006, 2007 and 2008 and 30th June, 2009, respectively, 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, US$4,101,000, US$3,106,000 and US$2,514,000 as at 31st December, 2006, 2007 and 2008 and 30th June, 2009, respectively, that will expire before 2012. Other losses can be carried forward indefinitely.

In addition, the Group has unrecognised deductible temporary differences of US$21,221,000, US$22,866,000, US$33,178,000 and US$33,178,000 as at 31st December, 2006, 2007, 2008 and 30th June, 2009, respectively, 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 and prepaid lease payments for certain PRC subsidiaries at the end of reporting period. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not certain that taxable profit for these subsidiaries will be available against which the deductible temporary differences can be utilised.

Under the New Law of the PRC, a withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to profits earned by the PRC subsidiaries since 1st January, 2008 amounting to US$4,525,000 and US$3,369,000 for the year ended 31st December, 2008 and six months ended 30th June, 2009, respectively, as the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. INVENTORIES

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Raw materials and consumables	2,935	2,238	2,805	3,753
Work in progress	458	307	2,792	–
Finished goods	3,168	4,108	11,088	12,001
	6,561	6,653	16,685	15,754

23. TRADE AND OTHER RECEIVABLES

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade receivables	4,390	1,243	13,621	8,735
Other receivables	1,596	1,127	4,642	2,566
	5,986	2,370	18,263	11,301

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

The following is an analysis of trade and other receivables, net of allowances for doubtful debts, at the end of each reporting period:

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*
0 – 90 days	3,535	904	11,480	6,425
91 – 180 days	362	260	2,141	2,114
More than 180 days	493	79	–	196
	4,390	1,243	13,621	8,735

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 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$855,000, US$339,000, US$224,000 and US$1,310,000 as at 31st December, 2006, 2007 and 2008 and 30th June, 2009, respectively, which were past due at the end of the reporting period for which the Group has not provided for impairment loss as the management considered these debts are of good quality and good repayment history. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired at the end of each reporting period:

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*
91 to 180 days	362	260	224	1,114
More than 180 days	493	79	–	196
Total	855	339	224	1,310

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 over 1 year are fully provided 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 end of the reporting period. 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:

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Balance at beginning of the year/ period	819	1,823	2,236	1,274
Impairment loss recognised	758	1,021	–	–
Currency realignment	246	157	–	–
Written off of during the year/period	–	(765)	(962)	–
Balance at end of the year/period	1,823	2,236	1,274	1,274

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$1,823,000, US$2,236,000, US$1,274,000 and US$1,274,000 as at 31st December, 2006, 2007, 2008 and 30th June, 2009, respectively, 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:

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
United States Dollars	–	–	4,519	3,878
Hong Kong Dollars	909	658	85	337

24. 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 0.62% to 2.5%, 0.57% to 2.4%, 0.01% to 2.1% and 0.01% to 2% per annum as at 31st December, 2006, 2007 and 2008 and 30th June, 2009, respectively.

At 31st December, 2006, 2007, 2008 and 30th June, 2009, the Group had bank balances and cash that were in RMB, which is not freely convertible in other currencies or were subject to exchange controls in the PRC amounting to approximately US$2,928,000, US$6,112,000, US$8,621,000 and US$9,835,000, 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:

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
United States Dollars	28	519	305	382
Hong Kong Dollars	705	257	99	197

25. TRADE AND OTHER PAYABLES

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade payables	2,897	2,694	5,000	4,173
Amounts due to minority shareholders of subsidiaries	1,845	827	1,415	1,674
Compensation payable for laid off employees	–	1,013	–	–
Other payables	2,523	4,373	7,755	9,193
	7,265	8,907	14,170	15,040

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 end of each reporting period:

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*
0 to 90 days	1,493	53	3,559	2,615
91 to 180 days	88	794	19	–
More than 360 days	1,316	1,847	1,422	1,558
	2,897	2,694	5,000	4,173

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:

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*
United States Dollars	925	631	320	630
Hong Kong Dollars	513	1,757	37	33

26. AMOUNTS DUE FROM (TO) ASSOCIATES/DIRECTORS OF SUBSIDIARIES

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

27. AMOUNT DUE TO A RELATED PARTY

The amount represents the advances made to the Company from a shareholder, Civil Talent International Limited, which is unsecured, interest free and repayable on demand.

28. AMOUNT DUE TO FORMER ULTIMATE HOLDING COMPANY

The amount was unsecured, interest free and fully repaid during the year ended 31st December, 2008.

29. WARRANTS

On 28th January, 2008, the Company issued 1,500,000,000 unlisted warrants at price of HK$0.001 per warrant to six placees, all being independent third parties to the Group 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. The proceed from the issue amounts to HK$1,500,000 (equivalent to US$192,000) was received at date of issue. At 30th June, 2009 and 31st December, 2008, the fair value of the warrants was determined using the Black-Scholes Option Pricing Model and the inputs into the model were as follows:

	30.6.2009	**31.12.2008**
Exercise price	HK$0.074	HK$0.074
Share price	HK$0.026	HK$0.016
Expected volatility	58.87%	53.17%
Remaining life	1.05 years	1.5 years
Risk free rate	0.130%	0.388%

The fair value of the warrants is approximately US$15,000 and US$85,000 at 31st December, 2008 and 30th June, 2009, respectively, representing a gain on change in fair value of US$177,000 for the year ended 31st December, 2008 and a loss on change in fair value of US$70,000 for the six months ended 30th June, 2009 and were recognised in the consolidated statements of comprehensive income.

30. CONVERTIBLE NOTES

(i) April Convertible Note

On 9th April, 2008, the Company issued a 6% convertible note at par with principal amount of US$3,700,000 to Sun Boom Limited ("Sun Boom"), an independent third party to the Group ("April Convertible Note") with coupon interest payable semi-annually. The April Convertible Note is denominated in United States dollars with a conversion period of 24 months from the issue date and can be converted into ordinary shares of the Company at HK$0.086 per share, subject to the usual anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issues. The April Convertible Note matures on 8th April, 2010 and can be redeemed at par by the holder at anytime before the maturity date.

The April Convertible Note contains three components, the liability component, conversion option derivatives and early redemption option. The directors consider that the fair value of this early redemption option by the Company is insignificant at the date of initial recognition. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss. As the holder of the convertible note can redeem the note at any time before maturity, therefore it is classified as current liabilities.

The fair value of the liability component was calculated as the present value of the coupon interest payments and the redemption amount. The discount rate used in the calculation is 22.6% represents the cost of debt applicable to the Group at the issue date. The embedded conversion option represents the fair value of the noteholders' option to convert the April Convertible Note into equity of the Company, but the conversion will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments. The fair value of the embedded conversion option was determined using Black-Scholes Option Pricing Model and the inputs into the model at each respective date were as follows:

	30.6.2009	**31.12.2008**
Conversion price	HK$0.086	HK$0.086
Share price	HK$0.026	HK$0.016
Expected volatility	58.60%	56.13%
Remaining life	0.77 years	1.27 years
Risk-free rate	0.080%	0.388%

(ii) Pursuant to a sale and purchase agreement ("SPA") dated 22nd February, 2008, a supplemental deed dated 27th February, 2008 and a second supplemental agreement date 30th April, 2008 entered between the Company and Sun Boom, to purchase 20% of the issued share capital of Prowealth at a consideration of HK$121,000,000 (equivalent to US$15,513,000) satisfied by issue of SPA convertible note. Prowealth is an investment holding company and its subsidiaries are engaged in seafood processing and distribution in Hong Kong and the PRC.

May SPA Convertible Note

On 30th May, 2008, the Company issued a 6% convertible note with principal amount of HK$121,000,000 (equivalent to US$15,513,000) with coupon interest payable semi-annually to Sun Boom for acquisition of 20% equity interest in Prowealth ("May SPA Convertible Note"). The May SPA Convertible Note is denominated in Hong Kong dollars with a conversion period of 24 months from the issue date and can be converted into ordinary shares of the Company at HK$0.086 per share, subject to the usual anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issues. The May SPA Convertible Note matures on 29th May, 2010 and can be redeemed at par by the holder at anytime before the maturity date.

The May SPA Convertible Note contains three components, the liability component, conversion option derivatives and early redemption option. The directors consider that the fair value of this early redemption option by the Company is insignificant at the date of initial recognition. The effective interest rate of the liability component is 20.9%. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss. As the holder of the convertible note can redeem the note at any time before maturity, therefore it is classified as current liabilities.

The fair value of the liability component was calculated as the present value of the coupon interest payments and the redemption amount. The discount rate used in the calculation is 20.9% represents the cost of debt applicable to the Group at the issue date. The embedded conversion option represents the fair value of the noteholders' option to convert the May SPA Convertible Note into equity of the Company, but the conversion will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments. The fair value of the embedded conversion option was determined using Black-Scholes Option Pricing Model and the inputs into the model at each respective date were as follows:

	30.6.2009	**31.12.2008**
Conversion price	HK$0.086	HK$0.086
Share price	HK$0.026	HK$0.016
Expected volatility	58.60%	55.51%
Remaining life	0.91 years	1.41 years
Risk-free rate	0.130%	0.388%

(iii) Pursuant to a sales and purchase agreement (the "Agreement") between the Company, Sun Boom and Wise Virtue to purchase the remaining 80% issued share capital of Prowealth at a consideration of HK$484,000,000 (equivalent to US$62,347,000) satisfied by the issue of 3,756,840,000 ordinary shares of the Company at HK$0.086 per share ("Consideration shares"), issue of HK$80,646,500 (equivalent to US$10,389,000) convertible note to Sun Boom ("Sun Boom Convertible Note") and HK$80,265,260 (equivalent to US$10,339,000) convertible note to Wise Virtue ("Wise Virtue Convertible Note"). The Consideration Shares were subsequently issued on 17th October, 2008 at market price of HK$0.019 per share and the fair value of the Consideration Share amounted to HK$71,380,000 or US$9,195,000. Upon completion of the terms and condition as set out in the Agreement, on 17th October, 2008, the Group has acquired 100% of the issued share capital of Prowealth and Prowealth has become a subsidiary of the Company (detailed in note 35). The directors consider these transactions together as mentioned in note 30(ii) were a series of linked transactions to acquire 100% interest in Prowealth.

Sun Boom Convertible Note

On 17th October, 2008, the Company issued the Sun Boom Convertible Note with principal amount of HK$80,646,500 (equivalent to US$10,389,000) which bears coupon interest at 6% per annum payable semi-annually. The Sun Boom Convertible Note is denominated in Hong Kong dollars with a conversion period of 60 months from the issue date and can be converted into ordinary shares of the Company at HK$0.086 per share, subject to the usual anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issues. The Sun Boom Convertible Note matures on 16th October, 2013 and can be redeemed at par by the holder at anytime before the maturity date.

The Sun Boom Convertible Note contains three components, the liability component, conversion option derivatives and early redemption option. The effective interest rate of the liability component is 21.4%. The conversion option derivative and early redemption option are measured at fair value with changes in fair value recognised in profit or loss. As the holder of the convertible note can redeem the note at any time before maturity, therefore it is classified as current liabilities.

The fair value of the liability component was calculated as the present value of the coupon interest payments and the redemption amount. The discount rate used in the calculation is 21.4% represents the cost of debt applicable to the Group at the issue date. The embedded conversion option represents the fair value of the noteholders' option to convert the Sun Boom Convertible Note into equity of the Company, but the conversion will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments. The fair value of the embedded conversion option and the holder's early redemption option were determined using Black-Scholes Option Pricing Model and binomial option pricing model, respectively, and the inputs into the model at each respective date were as follows:

	30.6.2009	**31.12.2008**
Conversion price	HK$0.086	HK$0.086
Share price	HK$0.026	HK$0.016
Expected volatility	48.93%	47.60%
Remaining life	4.3 years	4.8 years
Risk-free rate	1.945%	1.194%

Wise Virtue Convertible Note

On 17th October, 2008, the Company issued the Wise Virtue Convertible Note with principal amount of HK$80,265,260 (equivalent to US$10,339,000) which bears coupon interest at 6% per annum payable semi-annually. The Wise Virtue Convertible Note is denominated in Hong Kong dollars with a conversion period of 60 months from the issue date and can be converted into ordinary shares of the Company at HK$0.086 per share, subject to the usual anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issues. The Wise Virtue Convertible Note matures on 16th October, 2013 and can be redeemed at par by the holder at the maturity date.

The Wise Virtue Convertible Note contains three components, the liability component, conversion option derivatives and early redemption option. The effective interest rate of the liability component is 21.4%. The conversion option derivative and early redemption option are measured at fair value with changes in fair value recognised in profit or loss. As the holder of the convertible note can redeem the note at any time before maturity, therefore it is classified as current liabilities.

The fair value of the liability component was calculated as the present value of the coupon interest payments and the redemption amount. The discount rate used in the calculation is 21.4% represents the cost of debt applicable to the Group at the issue date. The embedded conversion option represents the fair value of the noteholders' option to convert the May SPA Convertible Note into equity of the Company, but the conversion will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments. The fair value of the embedded conversion option and the holder's early redemption option were determined using Black-Scholes Option Pricing Model and binomial option pricing model, respectively and the inputs into the model at each respective date were as follows:

	30.6.2009	**31.12.2008**
Conversion price	HK$0.086	HK$0.086
Share price	HK$0.026	HK$0.016
Expected volatility	48.93%	47.60%
Remaining life	4.3 years	4.8 years
Risk-free rate	1.945%	1.194%

The movements of the components of the April Convertible Note, May SPA Convertible Note, Sun Boom Convertible Note and Wise Virtue Convertible Note during the Relevant Periods are set out below:

	Liability component *US$'000*	**Embedded conversion option** *US$'000*	**Early redemption option** *US$'000*	**Total** *US$'000*
At 1st January, 2006, 31st December, 2006 and 31st December, 2007	–	–	–	–
Issued during the year	26,163	4,718	8,606	39,487
Gain on initial recognition	(182)	–	–	(182)
Change in fair value	–	(4,525)	2,619	(1,906)
Interest charged	1,519	–	–	1,519
Exchange realignment	97	26	13	136
At 31st December, 2008	27,597	219	11,238	39,054
Interest charged	1,748	–	–	1,748
Change in fair value	–	517	(3,292)	(2,775)
Exchange realignment	(3)	–	(1)	(4)
At 30th June, 2009	29,342	736	7,945	38,023

31. BANK AND OTHER BORROWINGS

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*
Secured loans from banks and other financial institutions *(Note a)*	10,015	9,464	22,043	19,111
Unsecured three-year loan notes *(Note b)*	1,377	1,075	455	455
Unsecured other borrowings *(Note c)*	282	305	–	–
	11,674	10,844	22,498	19,566
Carrying amount repayable:				
Within one year	10,015	9,769	22,043	19,566
Between one to two years	1,377	1,075	455	–
After five years	282	–	–	–
	11,674	10,844	22,498	19,566
Less: Amount due within one year shown under current liabilities	(10,015)	(9,769)	(22,043)	(19,566)
Amount due after one year	1,659	1,075	455	–

Notes:

(a) The loans from banks and other financial institutions carry interests at fixed rates ranging from 3.54% to 7.47% (2008: 6.66% to 7.47%; 2007: 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 30th 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 outstanding instalment of the loan notes amounted to US$455,000 has been extended to March 2010.

(c) Other borrowings represent interest-free borrowings of US$305,000 in 2007 (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:

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*
Hong Kong Dollars	1,377	1,075	455	455

32. SHARE CAPITAL

	Number of shares	Amount
		US$'000
Ordinary share of US$0.001 each		
Authorised:		
At 31st December, 2006, 31st December, 2007, 31st December, 2008 and 30th June, 2009	100,000,000,000	100,000
Issued and fully paid:		
At 1st January, 2006, 31st December, 2006 and 31st December, 2007	9,197,779,755	9,197
Issued in consideration for the acquisition of the issued share capital of Prowealth	3,756,840,000	3,757
At 31st December, 2008 and 30th June, 2009	12,954,619,755	12,954

The new shares issued during the Relevant Periods rank pari passu in all respects with the existing shares in issue.

33. SHARE OPTION SCHEMES

A share option scheme was adopted by the Company on 19th 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 31st 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 representing 5.05% of the shares of the Company in issue at that date. Pursuant to Share Option Scheme, any options granted but not exercised may be cancelled if the grantee so agrees and new options may be granted to the grantee provided such new options comply with the terms of the Share Option Scheme. A director's resolution was passed on 14th July, 2008, the entire share options granted in 2007 (vested immediately at the date of grant) had been cancelled and 247,366,000 new share options were granted (vested immediately at the date of grant), representing 2.69% 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 Relevant Periods are as follows:

				Number of share options							
Date of grant	Vesting period	Exercise price *HK$*	Exercise period	Outstanding at 1st January, 2006	Surrendered during the year *(Note 1)*	Outstanding at 31st December, 2006 and 1st January, 2007	Granted during the year	Outstanding at 31st December, 2007 and 1st January, 2008 *(Note 2)*	Cancelled during the year	Granted during the year	Outstanding at 31st December, 2008 and 30th June, 2009
Directors											
30th April 2002	– *(Note 3)*	0.050	30th April 2002 – 29th April 2012	200,000,000	(200,000,000)	–	–	–	–	–	–
13th July 2007	– *(Note 3)*	0.153	13th July 2007 – 12th July 2010	–	–	–	123,970,000	123,970,000	(123,970,000)	–	–
14th July, 2008	– *(Note 3)*	0.041	14th July, 2008 – 13th July, 2011	–	–	–	–	–	–	182,234,000	182,234,000
Sub-total				200,000,000	(200,000,000)	–	123,970,000	123,970,000	(123,970,000)	183,234,000	183,234,000
Executive and employees											
30th April 2002	30th April 2002 – 31st December 2002	0.050	1st January 2003 – 29th April 2012	31,200,000	(31,200,000)	–	–	–	–	–	–
30th April 2002	30th April 2002 – 31st December 2003	0.050	1st January 2004 – 29th April 2012	23,400,000	(23,400,000)	–	–	–	–	–	–
30th April 2002	30th April 2002 – 31st December 2004	0.050	1st January 2005 – 29th April 2012	23,400,000	(23,400,000)	–	–	–	–	–	–
24th January 2003	24th January 2003 – 26th June 2003	0.021	27th June 2003 – 23rd January 2013	60,000,000	(60,000,000)	–	–	–	–	–	–
13th July 2007	– *(Note 3)*	0.153	13th July 2007 – 12th July 2010	–	–	–	203,234,000	203,234,000	(203,234,000)	–	–
5th October 2007	– *(Note 3)*	0.095	5th October 2007 – 4th October 2010	–	–	–	137,606,000	137,606,000	(137,606,000)	–	–
14th July, 2008	– *(Note 3)*	0.041	14th July, 2008 – 13th July 2011	–	–	–	–	–	–	64,132,000	64,132,000
Sub-total				138,000,000	(138,000,000)	–	340,840,000	340,840,000	(340,840,000)	64,132,000	64,132,000
Grand total				338,000,000	(338,000,000)	–	464,810,000	464,810,000	(468,810,000)	247,366,000	247,366,000

Notes:

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

2. The Company cancelled the share options granted to them during the year 2008.

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

During the year ended 31st December, 2007, options were granted on 13th July, 2007 ("July 2007 Option") and 5th 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.

During the year ended 31st December, 2008, options were granted on 14th July, 2008 ("July 2008 Option") with estimated fair values of each option granted on that date of HK$0.016. The fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	July 2007 Option	**October 2007 Option**	**July 2008 Option**
Spot price	HK$0.157	HK$0.093	HK$0.046
Exercise price	HK$0.153	HK$0.095	HK$0.041
Risk free rate	4.204%	3.781%	2.897%
Expected life	1.5 years	1.5 years	3 years
Expected volatility	99.84%	102.51%	43.43%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years for options granted in 2008 and 1.5 years for options granted in 2007. 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.

The Group recognised the total share-based payment expense of nil, US$4,003,000, US$524,000 and nil for the years ended 31st December, 2006, 2007 and 2008 and six months ended 30th June, 2009, respectively, in relation to the share options granted by the Company to its directors and employees. The share-based payment expense was included in other operating expenses (see note 12).

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.

34. ACQUISITION OF ASSETS

On 5th June, 2008, the Group acquired certain assets through acquisition of 100% equity interest in Maoming Jiaxing from an independent third party, for a cash consideration of RMB4,800,000 (equivalent to US$700,000). The transaction has been reflected as purchases of assets as the subsidiary acquired primarily holds a land use right in the PRC.

The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount before combination and fair value *US$'000*
Net assets acquired	
Property, plant and equipment	20
Prepaid lease payment	665
Other receivables	15
	700
Net cash outflow arising on acquisition:	
Cash consideration paid	(700)

The results of the subsidiary acquired had no significant impact on the Group's consolidated revenue or loss for the year ended 31st December, 2008.

35. ACQUISITION OF SUBSIDIARIES

As disclosed in note 30, on 17th October, 2008, the Group acquired the remaining 80% issued share capital of Prowealth at total consideration of HK$231,223,000 (equivalent to US$29,785,000). The consideration for the previous acquisition on 28th May, 2008 of 20% interest in Prowealth amounted to HK$118,553,000 (equivalent to US$15,197,000). The directors consider these series of transactions were linked to acquire 100% interest in Prowealth, hence the acquisition has been accounted for a single acquisition on 17th October, 2008. Prowealth is an investment holding company and its subsidiaries are engaged in the food processing and distribution business. This transaction has been accounted for using the purchase method of accounting. The amount of goodwill arising as a result of the acquisition was US$21,340,000.

The net assets acquired in the transaction and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
	US$'000	*US$'000*	*US$'000*
Net assets acquired:			
Property, plant and equipment	9,690	(573)	9,117
Intangible assets	–	2,649	2,649
Prepaid lease payments	3,317	(833)	2,484
Other deposit	438	–	438
Deferred tax assets	–	352	352
Inventories	6,829	–	6,829
Trade and other receivables	10,075	–	10,075
Deposits and prepayments	7,512	–	7,512
Amount due from a director of a subsidiary	1,015	–	1,015
Bank and cash balances	2,279	–	2,279
Trade and other payables	(5,528)	–	(5,528)
Taxation payable	(186)	–	(186)
Bank borrowings	(12,564)	–	(12,564)
Deferred tax liabilities	(168)	(662)	(830)
	22,709	933	23,642
Goodwill			21,340
			44,982
Total consideration satisfied by:			
Issue of shares *(Note)*			9,195
Issue of convertible notes			35,787
			44,982
Net cash inflow arising on acquisition:			
Bank balances and cash acquired			2,279

Note: As part of the consideration for the acquisition of Prowealth, 3,756,840,000 ordinary shares of the Company with par value of US$0.001 each were issued. The fair value of the ordinary shares of the Company, determined using the published price available at the date of acquisition, amounted to HK$71,380,000 (equivalent to US$9,195,000).

The goodwill arising on the acquisition is attributable to its anticipated potential profitability and historical industry growth in relation to the business at the time of which the transaction was negotiated. However, during the time of which the transaction was due to be completed, the market sentiment had significantly deteriorated and the directors are of the opinion that their previous expectation on the performance and profitability of the acquired business cannot be met. As a result, the goodwill was fully impaired at 31st December, 2008 (see note 17 for impairment assessment of goodwill).

Prowealth contributed US$14,426,000 to the Group's turnover and profit of US$1,270,000 to the Group's loss for the year ended 31st December, 2008 between the date of acquisition and at 31st December, 2008.

If the acquisition had been completed on 1st January, 2008, total Group's turnover for the year ended 31st December, 2008 would have been US$77,805,000, and loss for the year ended 31st December, 2008 would have been US$25,919,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2008, nor is it intended to be a projection of future results.

36. DISPOSAL OF A SUBSIDIARY

On 5th June, 2008, the Group disposed of its entire interest in Jilin Fuchun, a 55% subsidiary of the Group, to the PRC minority shareholder at a consideration of RMB1,000,000 (equivalent to US$145,000), giving rise to a gain on disposal of US$1,051,000 which was arrived at after accounting for exchange translation reserve of US$234,000 released on disposal.

The net liabilities of Jilin Fuchun at the date of disposal were as follows:

	US$'000
Net liabilities disposed of:	
Inventories	538
Other receivables	15
Bank balances and cash	50
Trade and other payables	(1,496)
Bank borrowings	(305)
	(1,198)
Minority interest	526
	(672)
Gain on disposal	1,051
Release of exchange translation reserve upon disposal	(234)
Total cash consideration	145
Net cash inflow arising on disposal:	
Cash consideration received	145
Cash and cash equivalents disposed of	(50)
	95

37. CAPITAL COMMITMENTS

At the end of each reporting period, the Group had outstanding capital commitments as follows:

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*
Capital expenditure in respect of acquisition of property, plant and equipment				
– authorised but not contracted for	357	–	–	–
– contracted but not provided for	–	–	43	–
	357	–	43	–

38. CONTINGENT LIABILITIES

During the year ended 31st December, 2007, Jilin Fuchun has ceased its operation. Jilin Fuchun has laid off its employees and exposed to a maximum compensation payment of RMB7,307,000 (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 statements of comprehensive income for the year ended 31st December, 2007 (see note 12). During the year ended 31st December, 2008, the Group has settled all compensation payments to the employees of Jilin Fuchun. The Group has no significant contingent liabilities as at 31st December, 2006, 31st December, 2008 and 30th June, 2009.

39. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st December, 2008, the Group has acquired Prowealth and its subsidiaries (detailed in note 35) for a total consideration HK$348,611,000 (equivalent to US$44,982,000). The consideration was settled in form of shares issued by the Company and issue of convertible notes.

During the year ended 31st 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 statements of comprehensive income. 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.

40. LEASING ARRANGEMENTS

The Group as lessee

At the end of each reporting period, the Group had outstanding commitment of future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within one year	46	223	188	175
In the second to fifth year inclusive	130	282	47	45
	176	505	235	220

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

The Group as a lessor

At the end of each reporting period, the Group had contracted with lessees for the following future minimum lease payments in respect of certain plant and machinery:

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within one year	125	139	–	–
In the second to fifth year inclusive	195	136	–	–
	320	275	–	–

During the year ended 31st December, 2007, 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. The lease was cancelled during the year ended 31st December, 2008.

41. PLEDGE OF ASSETS

The Group had pledged certain property, plant and equipment and land use rights with aggregate carrying amounts of US$8,150,000, US$5,449,000, US$11,284,000 and US$9,613,000 as at 31st December, 2006, 2007 and 2008 and 30th June, 2009, respectively, to various banks and other financial institutions for securing the loans and general credit facilities granted to the Group.

42. RELATED PARTY TRANSACTIONS

The key management personnel are the directors of the Company. The details of their remunerations are set out in note 12.

During the Relevant Periods, the Group has received management service income from a company controlled by the director of the Company, Mr. Zhang Xi.

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Management service income from a company controlled by the director of the Company	–	33	36	–

The Group also had balances with related parties at the end of each reporting period which are set out in other notes to the Financial Information.

F. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 6th August, 2009, the Company proposed to issue convertible redeemable notes ("Fulbond Convertible Notes") with a maximum aggregate principal amount of HK$800,000,000 to be due on the date falling upon the expiry of three years from the date of which Fulbond Convertible Notes are first issued.

The Fulbond Convertible Notes will carry a right to convert into shares with a maximum of 80,000,000,000 new shares of the Company if full exercise of the convertible right attached at the conversion price of, subject to adjustment, HK$0.01 per conversion share. The management intends to use the proceeds to be received from the issue of Fulbond Convertible Notes to redeem the existing convertible notes issued by the Company and to strengthen the cash position of the Group.

The proposed placing of Fulbond Convertible Notes was approved by the shareholders at the Special General Meeting on 16th October, 2009, but has not yet been issued up to date of this report.

(b) Pursuant to the agreement dated 4th December, 2009, the Company conditionally agreed to dispose of Prowealth, a wholly owned subsidiary of the Company, and its subsidiaries to a related party at a cash consideration of approximately US$21,288,000 (the "Disposal") subject to the terms and condition of the agreement.

Upon completion of the Disposal, the Company will not have any shareholding in Prowealth and Prowealth will cease to be a subsidiary of the Company. Pursuant to the Listing Rules, the Disposal is subject to the approval by the shareholders at the general meeting of the Company and the special general meeting ("SGM") will be convened for such purpose. The voting to be taken in the SGM to seek approval of the Disposal will be taken by poll. Up to date of this report, SGM has not been held.

(i) Included below are the assets and liabilities of Prowealth and its subsidiaries incorporated into the Group's consolidated statement of financial position as at 31st December, 2008 and 30th June, 2009:

	31.12.2008	**30.6.2009**
	US$'000	*US$'000*
Non-current assets		
Property, plant and equipment	9,496	9,602
Intangible assets	2,539	2,274
Prepaid lease payments	2,411	2,384
Other advances	439	220
Deferred tax asset	350	344
	15,235	14,824
Current assets		
Inventories	9,421	8,721
Trade and other receivables	13,388	7,859
Deposits and prepayments	3,105	5,725
Prepaid lease payments	70	70
Amount due from a director of a subsidiary	951	345
Bank balances and cash	1,863	2,646
	28,798	25,366
Current liabilities		
Trade and other payables	5,151	4,844
Amounts due to directors of subsidiaries	189	580
Taxation payable	395	89
Bank and other borrowings – amount due within one year	12,588	9,659
	18,323	15,172
Net current assets	10,475	10,194
Total assets less current liabilities	25,710	25,018
Non-current liability		
Deferred tax liability	803	735
	24,907	24,283

(ii) Included below are the results of Prowealth and its subsidiaries incorporated into the Group's consolidated statement of comprehensive income during the Relevant Periods since Prowealth was acquired by the Company on 17th October, 2008:

	17.10.2008 to 31.12.2008	**1.1.2009 to 30.6.2009**
	US$'000	*US$'000*
Turnover	14,426	16,688
Cost of sales	(11,656)	(14,796)
Gross profit	2,770	1,892
Other income	322	374
Selling and distribution costs	(268)	(489)
Administrative expenses	(1,031)	(1,723)
Impairment loss recognised in respect of goodwill	(21,340)	–
Finance costs	(169)	(691)
Loss before taxation	(19,716)	(637)
Taxation	(429)	15
Loss for the period	(20,145)	(622)
Exchange difference arising on translation of functional currency to presentation currency	71	(2)
Total comprehensive income for the period	(20,074)	(624)

(iii) Included below are cash flows of Prowealth and its subsidiaries incorporated into the Group's consolidated statement of cash flows during the Relevant Periods since Prowealth was acquired by the Company on 17th October, 2008:

	17.10.2008 to 31.12.2008	**1.1.2009 to 30.6.2009**
	US$'000	*US$'000*
OPERATING ACTIVITIES		
Loss before taxation	(19,716)	(637)
Adjustments for:		
Amortisation of prepaid lease payments	6	26
Amortisation of intangible assets	110	265
Depreciation of property, plant and equipment	166	587
Interest income	(3)	(3)
Finance costs	169	691
Impairment loss recognised in respect of goodwill	21,340	–
Operating cash flows before movements in working capital	2,072	929
(Increase) decrease in inventories	(2,503)	681
(Increase) decrease in trade and other receivables	(3,182)	5,508
Decrease (increase) in deposits and prepayments	4,978	(2,630)
Decrease in trade and other payables	(449)	(297)
Cash generated from operations	916	4,191
PRC Enterprise Income Tax paid	(246)	(351)
NET CASH GENERATED FROM OPERATING ACTIVITIES	670	3,840
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(518)	(525)
Interest received	3	3
Loan advances from a third party	–	219
NET CASH USED IN INVESTING ACTIVITIES	(515)	(303)
FINANCING ACTIVITIES		
(Repayment) advance from a director of a subsidiary	(207)	996
Interest paid	(169)	(691)
Repayments of bank loans	(139)	(2,954)
NET CASH USED IN FINANCING ACTIVITIES	(515)	(2,649)

	17.10.2008 to 31.12.2008	1.1.2009 to 30.6.2009
	US$'000	*US$'000*
Net (decrease) increase in cash and cash equivalents	(360)	888
Cash and cash equivalents at the beginning of the period	2,279	1,863
Effect of foreign exchange rate changes of cash and cash equivalents	(56)	(105)
Cash and cash equivalents at the end of the period represented by bank balances and cash	1,863	2,646

G. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of any of the companies in the Group have been prepared in respect of any period subsequent to 30th June, 2009.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidation statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of Fulbond Holdings Limited and its subsidiaries (hereinafter referred to as the "Group") excluding the Group's entire interest in Prowealth Holdings Group Limited and its subsidiaries (the "Disposal Group") (together with the Group hereinafter collectively referring to as the "Remaining Group") ("Pro Forma Financial Information"), have been prepared to illustrate the effect of the Disposal.

(i) Unaudited pro forma consolidated statement of financial position of the Remaining Group

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal as if they had taken place on 30th June, 2009.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is based on the audited consolidated statement of financial position as at 30th June, 2009 of the Group as set out in Appendix I to this Circular and after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transactions; and (ii) factually supportable. The unaudited pro forma consolidated statement of financial position of the Remaining Group is based on a number of assumptions, estimates and uncertainties. Accordingly, the unaudited pro forma consolidated statement of financial position of the Remaining Group does not purport to describe the actual financial position of the Remaining Group that would have attained had the Disposal been completed on 30th June, 2009.

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group had the Disposal been completed on 30th June, 2009 or any future date.

Unaudited pro forma consolidated financial statement of financial position

	The Group as at 30th June, 2009	Pro forma adjustments		Pro forma Remaining Group
	US$'000	*US$'000* *Note (a)*	*US$'000* *Note (b)*	*US$'000*
Non-current assets				
Property, plant and equipment	10,685	(9,602)		1,083
Intangible assets	2,274	(2,274)		–
Prepaid lease payments	3,020	(2,384)		636
Other advances	220	(220)		–
Other receivable	–		5,058	5,058
Deferred tax asset	344	(344)		–
	16,543			6,777
Current assets				
Inventories	15,754	(8,721)		7,033
Trade and other receivables	11,301	(7,859)		3,442
Deposits and prepayments	6,209	(5,725)		484
Prepaid lease payments	70	(70)		–
Amount due from a director of a subsidiary	345	(345)		–
Bank balances and cash	10,033	(2,646)	15,471	22,858
	43,712			33,817
Current liabilities				
Trade and other payables	15,040	(4,844)		10,196
Amounts due to associates	76			76
Amount due to a related party	162			162
Amounts due to directors of subsidiaries	580	(580)		–
Taxation payable	407	(89)		318
Warrants	85			85
Convertible notes	38,023			38,023
Bank and other borrowings – amount due within one year	19,566	(9,659)		9,907
	73,939			58,767
Net current liabilities	(30,227)			(24,950)
Total assets less current liabilities	(13,684)			(18,173)
Non-current liability				
Deferred tax liability	735	(735)		–
	(14,419)			(18,173)

Unaudited pro forma consolidated financial statement of financial position - continued

	The Group as at 30th June, 2009	Pro forma adjustments		Pro forma Remaining Group
	US$'000	*US$'000*	*US$'000*	*US$'000*
		Note (a)	*Note (b)*	
Capital and reserves				
Share capital	12,954			12,954
Reserves	(27,824)		(3,754)	(31,578)
Equity attributable to equity owners of the Company	(14,870)			(18,624)
Minority interests	451			451
	(14,419)			(18,173)

(ii) Unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal as if they had taken place on 1st January, 2009.

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group are based on the audited consolidated statement of comprehensive income and audited consolidated statement of cash flows of the Group for the six months ended 30th June, 2009 as set out in Appendix I to this Circular and after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transactions; and (ii) factually supportable. The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group are based on a number of assumptions, estimates and uncertainties. Accordingly, the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group do not purport to describe the actual results and cash flows of the Remaining Group that would have attained had the Disposal been completed on 1st January, 2009.

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared by the Directors for illustrative purposes only and because of their hypothetical nature, they may not give a true picture of the results and cash flows of the Remaining Group had the Disposal been completed on 1st January, 2009 or any future date.

Unaudited pro forma consolidated statement of comprehensive income

	The Group for the six months ended 30th June, 2009	Pro forma adjustments		Pro forma Remaining Group
	US$'000	*US$'000*	*US$'000*	*US$'000*
		(Note c)	*(Note d)*	
Turnover	23,011	(16,688)		6,323
Cost of sales	(20,193)	14,796		(5,397)
Gross profit	2,818			926
Other income	571	(374)	166	363
Selling and distribution costs	(1,103)	489		(614)
Administrative expenses	(3,455)	1,723		(1,732)
Change in fair value of derivative financial instruments and warrants	2,705	–		2,705
Loss on disposal of subsidiaries	–		(4,378)	(4,378)
Finance costs	(3,784)	691		(3,093)
Loss before taxation	(2,248)			(5,823)
Taxation	(35)	(15)		(50)
Loss for the period	(2,283)			(5,873)
Exchange differences arising on translation of functional currency to presentation currency	30	2		32
Total comprehensive income for the period	(2,253)			(5,841)
Loss for the period attributable to:				
Owners of the Company	(2,024)	622	(4,212)	(5,614)
Minority interests	(259)			(259)
	(2,283)			(5,873)
Total comprehensive income attributable to:				
Owners of the Company	(1,993)	624	(4,212)	(5,581)
Minority interests	(260)			(260)
	(2,253)			(5,841)

Unaudited pro forma consolidated statement of cash flows

	The Group for the six months ended 30th June, 2009	Pro forma adjustments			Pro forma Remaining Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
		Note (e)	*Note (f)*	*Note (d)*	
Operating activities					
Loss before taxation	(2,248)	637		(4,212)	(5,823)
Adjustments for:					–
Amortisation of prepaid lease payments	26	(26)			–
Amortisation of intangible assets	265	(265)			–
Change in fair value of derivative financial instruments and warrants	(2,705)				(2,705)
Depreciation of property, plant and equipment	1,639	(587)			1,052
Interest income	(54)	3		(166)	(217)
Finance costs	3,784	(691)			3,093
Loss on disposal of subsidiaries	–			4,378	4,378
Operating cash flows before movements in working capital	707				(222)
Decrease (increase) in inventories	926	(681)			245
Decrease (increase) in trade and other receivables	6,958	(5,508)			1,450
(Increase) decrease in deposits and prepayments	(2,506)	2,630			124
Increase (decrease) in trade and other payables	335	297			632
Cash generated from operations	6,420				2,229
PRC Enterprise Income Tax paid	(415)	351			(64)
Net cash from operating activities	6,005				2,165

Unaudited pro forma consolidated statement of cash flows - continued

	The Group for the six months ended 30th June, 2009	Pro forma adjustments			Pro forma Remaining Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
		Note (e)	*Note (f)*	*Note (d)*	
Investing activities					
Purchase of property, plant and equipment	(1,198)	525			(673)
Interest received	54	(3)			51
Loan advances from a third party	219	(219)			–
Proceeds from disposal of subsidiaries	–		13,608		13,608
Net cash (used in) from investing activities	(925)				12,986
Financing activities					
Interest paid	(2,036)	691			(1,345)
New bank loans raised	2,854				2,854
Repayments of bank loans	(5,780)	2,954			(2,826)
Repayment from a director of a subsidiary	996	(996)			–
Net cash from financing activities	(3,966)				(1,317)
Net increase in cash and cash equivalents	1,114				13,834
Cash and cash equivalents at the beginning of the period	8,882				8,882
Effect of foreign exchange rate changes of cash and cash equivalents	37	105			142
Cash and cash equivalents at the end of the period, represented by bank balances and cash	10,033				22,858

Notes to the unaudited Pro Forma Financial Information:

(a) The adjustment reflects the de-consolidation of the assets and liabilities of the Disposal Group as at 30th June, 2009, assuming the Disposal had taken place on 30th June, 2009. The assets and liabilities of the Disposal Group as at 30th June 2009 are extracted from the accountants' report as set out in Appendix I to this Circular.

(b) The adjustment reflects the estimated net cash proceeds of approximately US$15,471,000 which is calculated by deducting the estimated legal and professional fees for this transaction of approximately US$270,000 from the estimate gross cash proceeds of approximately US$15,741,000 (HK$122,000,000) and approximately US$5,058,000 (HK$39,207,000), being the present value of the consideration receivable of US$5,547,000 (HK$43,000,000) discount at 6%, to be received within 18 months from the completion of the Disposal, as provided in the Sale and Purchase Agreement entered into by the Group and Sincerity Shine Holdings Limited, a company which is wholly-owned by Mr. Li Geng, a substantial shareholder of the Company, in relation to the disposal of the Disposal Group (the "Sale and Purchase Agreement"). The estimated loss of approximately US$3,754,000 which is calculated by (i) deducting the net asset value of the Disposal Group of approximately US$24,283,000; and (ii) deducting the estimated legal and professional fees for this transaction of approximately US$270,000, from the estimated gross cash proceeds of approximately US$15,741,000 and approximately US$5,058,000 (HK$39,207,000), being the present value of the consideration receivable of US$5,547,000 (HK$43,000,000) discount at 6%, to be received within 18 months from the completion of the Disposal. The exchange translation reserve would be transfered directly to accumulated deficit in equity upon the Disposal as they are the exchange differences arising from translation of functional currency to presentation currency.

The final amount of proceeds would be subjected to the terms and conditions of the Sale and Purchase Agreement, assets and liabilities of the Disposal Group and the loss on the Disposal may be different from the amount described above.

(c) The adjustment reflects the de-consolidation of the results of the Disposal Group for the six months ended 30th June, 2009, assuming the Disposal had taken place on 1st January, 2009. The results of the Disposal Group for the six months ended 30th June 2009 are extracted from the accountants' report as set out in Appendix I to this Circular.

(d) The adjustment reflects the estimated loss of approximately US$4,378,000 resulting from the Disposal, assuming that the Disposal had taken place on 1st January, 2009. The estimated loss is calculated by (i) deducting the net asset value of the Disposal Group of approximately US$24,907,000 as at 1st January, 2009, and (ii) deducting the estimated legal and professional fees for this transaction of approximately US$270,000 from the estimated gross cash proceeds of approximately US$15,741,000 and approximately US$5,058,000 (HK$39,207,000), being the present value of the consideration receivable of US$5,547,000 (HK$43,000,000) discount at 6%, to be received within 18 months from the completion of the Disposal. The adjustment also reflects the imputed interest income of approximately US$166,000 arising from the consideration receivable during the six months ended 30th June, 2009.

The final amount of the proceeds would be subjected to the terms and conditions of the Sale and Purchase Agreement, assets and liabilities of the Disposal Group and the gain on the Disposal may be different from the amount described above.

(e) The adjustments reflects the exclusion of cash flows of the Disposal Group for the six months ended 30th June, 2009 assuming the Disposal had taken place on 1st January, 2009. The cash flows of the Disposal Group for the six months ended 30th June, 2009 is extracted from the accountants' report set out in Appendix I to this Circular.

(f) The adjustment reflects the net cash inflow amounting to approximately US$13,608,000 resulting from the Disposal, assuming the Disposal had taken place on 1st January, 2009. The net cash inflow of US$13,608,000 represents the estimated cash consideration for the Disposal of US$15,741,000 less bank balances and cash of the Disposal Group on 1st January, 2009 amounting to approximately US$1,863,000 and the estimated legal and professional fees of US$270,000.

(g) Except for the Disposal, no adjustment has been made to reflect any trading results or other transactions of the Group or the Disposal Group entered into subsequent to 30th June, 2009.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is the text of a report received from the reporting accountant of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Deloitte.
德勤

德勤・關黃陳方會計師行
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Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

24th December, 2009

The Directors
Fulbond Holdings Limited

Dear Sirs/Madam,

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**"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the disposal of 100% equity interest in Prowealth Holdings Group Limited and its subsidiaries (the "**Proposed Disposal**") might have affected the financial information presented, for inclusion in Appendix II of the circular dated 24th December, 2009 (the "**Circular**"). The basis of preparation of the unaudited pro forma financial information is set out on pages II-1 and II-3 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 ("**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 Group as at 30th June, 2009 or any future date; or
- the results and cash flows of the Group for the six months ended 30th June, 2009 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

1. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Following completion of the Disposal, timber business will become the principal business of the Remaining Group.

In a continuous effort to enhance the Remaining Group value and broaden the Remaining Group income, the Directors consider that the Disposal is advantageous for the Group and enables the Remaining Group to proactively identify further investments opportunities to diversify the business risks of the Remaining Group. Moreover, the Directors consider raising funds by suitable means when opportunities arise could strengthen the financial position of the Remaining Group, and that the Disposal will have a positive impact on the Remaining Group's operational and financial prospects in the long term.

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31st October 2009, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding borrowings of approximately US$65.5 million. The borrowings comprised (i) bank loans of the Group is approximately US$22.0 million secured by property, plant and equipment and land use rights of the Group; (ii) other unsecured borrowings of the Group of approximately US$0.5 million; (iii) unsecured convertible notes issued by the Group in aggregate principal amount of approximately US$40.1 million; and (iv) amounts due to related parties of the Group of approximately US$2.9 million which are unsecured and interest-free.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31st October 2009 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

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 31st October 2009.

3. WORKING CAPITAL

The Directors are of the opinion that taking into account (i) the Remaining Group's internal resources; (ii) the presently available banking and other facilities; (iii) the proceed from the Disposal; (iv) the proceed from the completion of the proposed issuance of the convertible redeemable notes; and (v) the Remaining Group can refinance the bank loans of approximately US$9.5 million which shall be repayable within 12 months from the date of this circular, and in the absence of unforeseen circumstances, the Remaining Group will have sufficient working capital for a period of 12 months from the date of this circular.

4. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP FOR THE SIX MONTHS ENDED 30TH JUNE 2009

Financial review

As at 30th June 2009 and assuming that the Group's disposal of its interest in Prowealth (the "Disposal") had been taken place on 1st January 2009 as set out in the unaudited pro forma consolidated statement of comprehensive income in Appendix II to this Circular, the Disposal would have decreased in revenue and gross profit of the Remaining Group for the period ended 30th June 2009. Compared to the period ended 30th June 2008, the sharp decrease in the Remaining Group's revenue to US$6,323,000 (2008: US$10,664,000) and gross profit to US$926,000 (2008: US$981,000) were due to the significant business recession of the Group's core businesses. Meanwhile, the Remaining Group recorded a loss for the period of approximately US$5,823,000 during the period ended 30th June 2009, compared with the period of approximately US$1,727,000 in the previous period. The increase in loss for the period was mainly contributed by the loss on disposal of subsidiaries of Prowealth of approximately US$4,378,000. As a result, the loss for the six months ended 30th June 2009 of the Remaining Group increased significantly to 237% as compared with the 30th June 2008. The loss attributable to the owners of the Remaining Group for the six months ended 30th June 2009 was US$5,614,000, as compared with the US$199,000 loss in previous corresponding period.

As at 30th June 2009, the Remaining Group's gearing ratio calculated on the basis of bank and other borrowings of approximately US$9,907,000 (30th June 2008: US$10,904,000) over total assets of approximately US$20,065,000 (30th June 2008: US$45,606,000), was 49% (30th June 2008: 24%).

Business review

The revenue of timber business for the six months ended 30th June 2009 sharply decreased to approximately US$6,323,000, representing a substantial decline of 41% as compared with US$10,664,000 in the corresponding period of 2008. The decrease in revenue indicated a recession result in timber business in the first half of 2009. The management will continue to review the product sales performance and expand its sales network and certain restructuring strategic plans will be performed.

Liquidity and financial resources

According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this Circular, the Remaining Group was in net current liabilities of US$24,950,000 as at 30th June 2009. The bank and other borrowings of US$9,907,000 that was classified as current liabilities at the financial period end, the total bank and other borrowings as at 30th June 2009 were approximately US$9,907,000. 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 RMB and US dollars. The sales and purchases of the Group are also mainly denominated in RMB and US dollars. As the exchange rates of RMB against US dollars were relatively stable during the year, the Group's exposure to fluctuations in exchange rates is minimal.

As at 30th June 2009, the cash and bank balances of the Remaining Group was approximately US$22,858,000 (30th June 2008: US$7,508,000).

Finance costs

Finance costs of the Remaining Group for the six months ended 30th June 2009 amounted to approximately US$3,093,000 representing an increase of US$2,512,000 as compared with US$572,000 in the corresponding period of last year. The increase was primarily due to an increase in the interest expenses of the Remaining Group's interest-bearing convertible notes issued in 2008.

Capital structure

The capital structure of Remaining 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.

As at 30th June 2009, the number of the Company's issued shares was 12,954,619,755 shares.

Exposure to fluctuations in exchange rates and any related hedges

There have been no significant changes in the Remaining Group's policy in terms of exchange rate exposure. Transactions of the Remaining Group are mainly denominated in Hong Kong dollars, RMB or US dollars. The Remaining Group has not adopted any hedging policies, as these currencies carry low exchange fluctuation risks. However, the management of the Remaining Group will monitor foreign exposure closely and consider the usage of hedging instruments when the need arises.

Pledge of assets

On 30th June 2009, the Remaining Group had pledged certain properties and plant and equipment with an aggregate carrying amount of US$228,000 (as at 31st December 2008: US$33,000) to various banks to secure the bank loans and general banking facilities granted to the Remaining Group.

Significant investments

As at 30th June 2009 and assuming Completion has taken place on that day, there is no significant investments of the Remaining Group.

Material acquisitions and disposals of subsidiaries and associated companies

Apart from the Disposal, there were no material acquisitions and disposals of subsidiaries and associated companies of the Remaining Group for the period ended 30th June 2009.

Employees and remuneration policies

As at 30th June 2009, the Remaining Group employed approximately 790 full time management, administrative and production staff in the PRC and Hong Kong. The Remaining Group recruits and promotes individuals based on their performance and development potential in the positions held. Remuneration package is determined with reference to an employee's performance and the prevailing salary levels in the market. In addition, the Remaining Group adopts a share option scheme for eligible employees (including Directors) to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Remaining Group.

Future plans and prospects

Although the global financial crisis continues to pose challenges for business, the global economy is to stabilize and show signs of recovery as well as the growth rate of China's economy is expected to increase further. The Remaining Group still maintains a positive attitude toward market growth in the coming years. In this period of uncertainty, the Remaining Group strives to consolidate overall marketing strategies and strengthen its products. The Remaining Group remains its focus on Mainland China for its business expansion. The cost and quality control measure will continue to carry out and improve the operation efficiency of the Remaining Group. Meanwhile, the Remaining Group will continue to focus on potential market for the exploring new business growth opportunities. With the amount of liquid assets on hand the management is of the view that the Remaining Group has sufficient financial resources to meet its ongoing operational requirements.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP FOR THE YEAR ENDED 31ST DECEMBER 2008

Financial review

The revenue of the Remaining Group for the year was approximately US$21,883,000, decreased around 9% as compared with the year 2007. Such decrease was mainly caused by the decrease in turnover of particular board and the cease of manufacturing and trading non-profitable businesses of blockboard, plywood-based products, decoration wooden products and other wooden products.

The loss for the year of the Remaining Group amounted to US$12,818,000, as increased of 46% loss compared to a loss of US$8,766,000 in 2007. The loss for the year was mainly attributable from an impairment loss recognized in respect of property, plant and equipment and prepaid lease payments of approximately US$10,619,000. During the year, the Directors conducted a review of the Remaining Group's property, plant and equipment and prepaid lease payments and determined that a number of those assets were impaired.

Impairment losses of US$9,765,000 and US$854,000 respectively were recognised based on the recoverable amounts of property, plant and equipment and prepaid lease payments which were determined on the basis of their value in use. The carrying amounts of the property, plant and equipment and prepaid lease payments were reduced to the respective recoverable amounts.

As at 31st December 2008, the Remaining Group's gearing ratio calculated on the basis of bank and other borrowings of approximately US$9,910,000 (31st December 2007: US$10,844,000) over total assets of approximately US$22,030,000 (31st December 2007: US$31,336,000), was 45% (31st December 2007: 35%).

Business review

During the year, timber business remained the core business of the Remaining Group. In order to improve the overall performance of the Group and allocate the resources, the Board decided to dispose of its entire interest in Jilin Province Fuchun Timber Co., Ltd. ("Jilin Fuchun"), a 55% subsidiary of the Group, to the PRC minority shareholder at a consideration of RMB1,000,000 (equivalent to US$145,000), giving rise to a gain on disposal of US$1,051,000. The turnover of timber businesses decreased from approximately US$24,016,000 to US$21,883,000, representing a drop of approximately 8.9% as compared to the last financial year. The segment result of timber businesses had suffer from loss of US$1,671,000 to loss of US$8,062,000 that indicated that timber business entered into market downturn and the management will continue to review and access potential business opportunities for the Group.

Liquidity and financial resources

As at 31st December 2008, the Remaining Group's cash and cash equivalents amounted to US$7,019,000 (as at 31st December 2007: US$6,888,000), representing an increase of 2% as compared to the same corresponding period in 2007. The Remaining Group's bank and other borrowings amounted to US$9,910,000 (as at 31st December 2007: US$10,844,000). The Group's bank and other borrowings from banks and other financial institutions carry interests at fixed rates ranging from 6.66% to 7.47% per annum (2007: 5.58% to 7.29% per annum). According to the corporate restructuring of the Company and its subsidiaries, the creditors of the Remaining 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 installments. The repayment of the remaining outstanding installment of the loan notes amounted to US$455,000 has been extended to March 2010. Other borrowings represent interest-free borrowings of US$305,000 in 2007. Individual operating entities within the Remaining Group are responsible for their own cash management, including raising of loans to cover expected cash demands, subject to approval by the Board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements 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 Directors have obtained financial support from the single largest shareholder of the Company to assist the Remaining Group to meet its financial obligations as they fall due in the foreseeable future. In addition, provided that the Remaining Group can continue to successfully refinance its bank borrowings, the Directors consider that the Group's liquidity risk is significantly reduced.

Finance costs

The increase in finance costs of approximately US$2,510,000, increased around 274% as compared with the year 2007 was mainly attributable to the effective interest expenses on convertible notes issued during the year.

Capital structure

The capital structure of the Remaining 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.

As at 31st December 2008, the number of the Company's issued shares was enlarged to 12,954,619,755 shares.

Exposure to fluctuations in exchange rates and any related hedges

No significant exchange risk is expected as the Remaining Group's cash, borrowings, income and expenses are settled in Hong Kong dollars, RMB or US dollars. The Remaining Group's major investment and financing strategies are to invest in domestic projects in the PRC by Hong Kong dollars and RMB borrowings. As RMB appreciation is expected to continue in the foreseeable future and the Group's operating income is substantially denominated in RMB, the Group did not perform any foreign currency hedging activities during the year. Nevertheless, the Remaining Group will from time to time review and adjust the Remaining Group's investment and financing strategies based on the RMB, US dollars and Hong Kong dollars exchange rate movement.

Pledge of assets

At the balance sheet date, the Remaining Group had pledged certain property, plant and equipment and land use rights with aggregate carrying amounts of US$11,284,000 (2007: US$5,449,000) respectively to various banks and other financial institutions for securing the loans and general credit facilities as granted to the Remaining Group.

Significant investments

As at 31st December 2008 and assuming Completion has taken place on that day, there is no significant principal investments of the Remaining Group.

Contingent liabilities

During the year ended 31 December 2007, Jilin Fuchun has ceased its operation. Jilin Fuchun has laid off its employees and expose to a maximum compensation payment of RMB7,307,000 (equivalent to US$1,013,000) based on the management's estimation and the relevant provisions of the PRC employment laws. The Remaining Group has recognised such liability of US$1,013,000 by charging the amount as an expense to the consolidated statement of comprehensive income for the year ended 31 December 2007. During the year ended 31 December 2008, the Remaining Group has settled all compensation payments to the employees of Jilin Fuchun. The Remaining Group has no significant contingent liabilities at 31 December 2008.

Employees and remuneration policies

As at 31st December 2008, the Remaining Group employed approximately 800 full time management, administrative and production staff in the PRC and Hong Kong. The Group recruits and promotes individuals based on their performance and development potential in the positions held. Remuneration package is determined with reference to an employee's performance and the prevailing salary levels in the market. In addition, the Remaining Group adopts a share option scheme for eligible employees (including Directors) to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Remaining Group.

Future plans and prospects

In the midst of the financial crisis spread out in 2008, the global economy has not been bottomed out and shows no sign of turning up. In the gloomy winter when recovery is yet to be expected, the wooden products markets are in downturn, both in prices and trade volumes. Whilst maintaining a positive attitude towards the prospect, the Remaining Group remains conservative in its development plans and will closely manage its implementation of the restructuring of management and business operation to keep a progressive pace in the challenging and dynamic environment.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP FOR THE YEAR ENDED 31ST DECEMBER 2007

Financial review

Turnover of the Remaining Group for the year ended 31st December 2007 was approximately US$24,016,000, representing a decrease of 8.7% from approximately US$26,308,000 in last year. The decrease was mainly caused by the decrease in turnover of particle board and the ceasing 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 Remaining Group for the year ended 31st December 2007 had increased to approximately US$8,766,000, 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 Remaining 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).

As at 31st December 2007, the Remaining Group's gearing ratio calculated on the basis of bank and other borrowings of approximately US$10,844,000 (31st December 2006: US$11,674,000) over total assets of approximately US$31,336,000 (31st December 2006: US$33,970,000), was 35% (31st December 2006: 34%).

Business review

Timber business remained the core business of the Remaining Group. In order to improve the overall performance of the Remaining Group and allocate the resources in a more efficient way, the Board decided to dispose the entire interests in an associated company, Hubei Fuhan Timber Company Limited in 2007. In this regard, the turnover of blockboard and particle board was decreased from approximately US$12,523,000 to US$8,737,000, representing a drop of approximately 30.2% as compared to the last financial year. In addition to this, the turnover from the manufacturing and trading of other wooden products dropped from approximately US$2,015,000 to US$1,218,000, a substantial drop of approximately 39.6% as compared to the previous year. Upon completion of the disposal, the Remaining Group continues to engage in the business of manufacturing and sale of wooden products, such as door skin and particle board products.

On the other hand, the financial performance of the door skin segment has made a well performance. Thanks to our staff from the sales and marketing department, the turnover from the door skin segment increased approximately 19.5% to approximately US$14,061,000 (2006: US$11,770,000). Our molded door skins are mainly exported to overseas markets, including Turkey, Middle East and Pakistan. The Remaining Group will keep its competitiveness level to introduce the line of products to the Middle-East market.

Liquidity and financial resources

As at 31st December 2007, the equity attributable to owners of the Remaining Group was approximately US$6,508,000 (2006: US$8,957,000). Total bank and other borrowings as at 31st December 2007 was approximately US$10,844,000 (2006: US$11,674,000), consisted of secured bank loans and other financial institutions of approximately US$9,464,000, unsecured three-year loan notes of approximately US$1,075,000 and unsecured other borrowings of US$305,000.

The sale and purchases of the raw materials are mainly denominated in RMB and united states dollars. The Remaining Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other loans, fixed-rate short-term bank deposits, and a three year loan note. We will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure if it needs.

As at 31st December 2007, the bank balances and cash of the Remaining Group was approximately US$6,888,000 (2006: US$3,661,000). 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.

Finance costs

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

Pledge of assets

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

Capital structure

The capital structure of the Remaining 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.

Subsequent to the financial year ended 31st December 2007, the Company issued and placed 1,500,000,000 unlisted warrants to not less than six independent placees on 21st January 2008. The Company will raise approximately HK$1,500,000 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 27th December 2007.

Further, the Company entered into the subscription agreement with Sun Boom in relation to the subscription of the convertible note with an aggregate principal amount of US$3,700,000. 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 31st December 2007, the Company had 9,197,779,755 shares in issue with total shareholders' fund of the Group amounted to approximately US$9,983,000.

Contingent liabilities

During the year ended 31st December 2007, Jilin Fuchun has ceased its operation. Jilin Fuchun shall lay off its employees and expose to a maximum compensation payment of approximately RMB7,307,000 (equivalent to approximately US$1,013,000) based on management's estimation and relevant provisions of the PRC employment laws. The Remaining Group has recognised such liability of approximately US$1,013,000 by charging the amount as an expense to the consolidated statement of comprehensive income for the year ended 31st December 2007. Subsequent to 31st December 2007, the Remaining Group has made compensation payments to certain employees of Jilin Fuchun amounted to approximately RMB666,000 (equivalent to approximately US$92,000).

Employees and remuneration

As at 31st December 2007, the Remaining 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 (2006: US$1,651,000). The increase in staff costs is mainly due to the Remaining Group has made compensation payments to certain employees of Jilin Fuchun and recognised a maximum compensation payment of RMB7,307,000 (equivalent to US$1,013,000) by charging the amount as an expense to the consolidated statement of comprehensive income for the year ended 31st 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 20th 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 date 2nd April 2007.

On 13th September 2007, Ta Fu Timber Company Limited ("Ta Fu Timber"), 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 RMB2,000,000 (approximately HK$2,060,000). 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 15th October 2007.

On 19th December 2007, 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. The settlement agreement constitutes a discloseable transaction, details of which were disclosed in the Company's Circular dated 21st January 2008.

Significant investments

As at 31 December 2007 and assuming Completion has taken place on that day, there is no significant principal investments of the Remaining Group.

Future plans and prospects

The Board believes that the Remaining Group will be able to broaden its source of income by diversifying its timber business in both the USA and PRC and improve the profitability by broadening its business scope. Looking forward, the Remaining Group will continue to strengthen its financial situation and expand its revenue base. On the other hand, the Remaining Group will continue to reengineer the business operations and turn around our 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 capture every good opportunity in all old and new businesses. The Remaining Group will also strive to enhance the shareholder's value through identify various and feasible business opportunities.

7. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP FOR THE YEAR ENDED 31ST DECEMBER 2006

Financial review

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

As at 31st December 2006, the Remaining Group's gearing ratio calculated on the basis of bank and other borrowings of approximately US$11,674,000 (31st December 2005: US$11,614,000) over total assets of approximately US$33,970,000 (31st December 2005: US$41,478,000), was 34% (31st December 2005: 28%)

Business review

Timber business remained the core business of the Remaining Group. In 2006, despite keen competition in the industry, the Remaining Group's major timber products including blockboard, particle board and door skin still managed to achieve satisfactory growth in sales. However, the slight reduction of raw materials prices such as wood and chemicals reduced the Remaining Group's cost of production.

Jilin Fudun Timber Company Limited ("Fudun"), the Group's 67%-owned subsidiary developed steadily. Its molded door skins are mainly exported overseas to markets including Turkey, the Middle East and Pakistan. Boasting good quality products, Fudun was able to meet customer needs in these overseas markets during the year and reported a 46% increase in sales of door skin products and secured a higher gross profit margin.

Under the new leadership of the Remaining Group, Fudun will continue to explore new market so as to boost revenue and its sources.

Liquidity and financial resources

As at 31st December 2006, the Remaining Group's total shareholder equity was approximately US$8,957,000 (2005: US$15,159,000).

Total bank and other borrowings as at 31st December 2006 were approximately US$11,674,000. 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 RMB and US dollars. The sales and purchases of the Group are also mainly denominated in RMB and US dollars. As the exchange rates of RMB against US dollars were relatively stable during the year, the Group's exposure to fluctuations in exchange rates is minimal.

As at 31st December 2006, the cash and bank balances of the Remaining Group was approximately US$3,661,000 (2005: US$2,635,000).

Pledge of assets

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

Capital expenditure

During the year, the Remaining Group's total investments in property, plant and equipment and construction in progress for other equipment amounted to approximately US$671,000 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 31st December 2006, the Remaining Group had outstanding capital commitments of approximately US$357,000 in connection with the acquisition of property, plant and equipment.

Finance costs

For the year ended 31st December 2006, finance costs slightly increased to US$883,000 from US$746,000 for 2005, mainly due to the increase in additional bank loan for the year and this has resulted in an increase in the bank and other borrowings of the Remaining Group.

Contingent liabilities

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

Significant investments

As at 31 December 2006 and assuming Completion has taken place on that day, there is no significant principal investments of the Remaining Group.

Material acquisitions and disposals of subsidiaries and associated companies

There were no material acquisitions and disposals of subsidiaries and associated companies of the Remaining Group for the year ended 31st December 2006.

Employees and remuneration policies

As at 31st December 2006, the Remaining Group employed approximately 780 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$1,651,000 (2005: US$1,741,000). The remuneration policy of the employees of the Remaining Group is based on their merit, qualifications and competence.

Future plans and prospects

Going forward, the Remaining Group will strive to improve its financial situation and overall performance. The Remaining Group will continue to strengthen its timber business and seek opportunities to develop other businesses to expand its revenue base. The Remaining Group will also implement prudent financial management and stringent cost control measures to enhance its profitability.

The Remaining Group is optimistic about the prospect of its timber business. The Remaining Group will consolidate the business and step up sales and marketing efforts to improve the segment's performance. Apart from growing existing markets, the Remaining Group will continue to explore other overseas markets. The Remaining Group took part in exhibitions which it received a request for product samples from a Russian buyer. The Remaining Group will continue negotiations with this potential customer and watch closely for other opportunities in the Russian market. Riding on its strong manufacturing capabilities and ever-expanding distribution network, the Remaining Group is also well-positioned to tap the China market that promises immense potential.

Prompted by the less than satisfactory performance of its high technology related business, the Remaining Group disposed of the stake in FameG, its loss incurring associated company, and will gradually exit this business segment and focus resources on developing timber business and exploring opportunities for new businesses so as to improve overall performance.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for (i) deterioration in the performance of the Prowealth Group in the year of 2009 as disclosed in the circular; (ii) financial performance of the Group for the six months ended 30th June 2009; and (iii) the continuing loss of the Group's timber business, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st December 2008, the date to which the latest audited consolidated financial statements of the Group were made up.

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 31st October 2009 of Prowealth.

Asset Appraisal Limited
資產評值顧問有限公司
Rm 802, 8/F On Hong Commercial Building
No.145 Hennessy Road, Wanchai, HK
香港灣仔軒尼詩道145號安康商業大廈8樓802室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

24th December 2009

The Board of Directors
Fulbond Holdings Ltd.
Unit 2807 28/F
The Center
No. 99 Queen's Road Central
Central Hong Kong.

Re: Valuation of shareholders' equity of Prowealth Holdings Group Limited

Instructions

In accordance with the instructions from **Fulbond Holdings Limited** (referred to as the "**Company**"), we have completed an appraisal of the shareholders' equity of **Prowealth Holdings Group Limited** (referred to as "**Prowealth**"). The relevant date of this valuation is **31st October 2009** (the "**Valuation Date**").

This report identifies the assets appraised, describes the basis and methodology of valuation, investigation and analysis, assumptions, limiting conditions and presents our opinion of value.

Basis of Valuation

The value of Prowealth has been arrived at on the basis of "Fair Value" in the premise of continued use which, in our appraisal, reflects the future economic benefit to be derived from the ownership of Prowealth and its operating assets. Fair Value in continued use premise is defined as the estimated amount at which an asset might be expected to exchange on the Valuation Date 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 and with the buyer and seller contemplating retention of the asset for continuation of current operations and implementation of the business plans in associate with the asset.

When fair value is established on the premise of continued use, it is assumed that the buyer and the seller would be contemplating retention of the assets of the Prowealth at their present locations and for their current operations. An estimate of fair market value arrived at on the premise of continued use does not represent the amount that might be realized from piecemeal disposition of the assets of Prowealth in the marketplace or from an alternative use of them. The premise of continued use is generally appropriate when:

– the assets of Prowealth are fulfilling an economic demand for the service they provide;

– the assets of Prowealth have a significant remaining useful life expectancy;

– there is responsible ownership and competent management;

– diversion of the assets of Prowealth to an alternative use would not be economically feasible or legally permitted;

– continuation of the existing use by present or similar users is practical;

– due consideration is given to the assets' functional utility for their present use; and

– due consideration is given to the assets' economic utility.

The definition of fair value adopted in this valuation report is similar and/or interchangeable with definitions of the valuation standards below:

Market Value

According to The Hong Kong Business Valuation Forum – Business Valuation Standards, market value is defined as the estimated amount for which an asset (a property) should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

Fair Market Value

The International Valuation Glossary defines fair market value as the amount at which an asset would change hands between a willing buyer and a willing seller, when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.

For the purpose of this valuation, the term fair value will be used throughout this valuation report. Our valuation has been prepared in accordance with the HKIS Valuation Standards on Trade related Business Assets and Business Enterprise (First Edition 2004) published by the Hong Kong Institute of Surveyors and the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum, which are generally accepted valuation standards followed by relevant professional practitioners in Hong Kong. These standards contain detailed guidelines on the basis and valuation approaches in valuing assets used in the operation of a trade or business and business enterprises.

Description of Prowealth

As confirmed by the Company, Prowealth is a company incorporated in the British Virgin Islands which did not carry on any business except that, it holds 100% equity interest in Maoming Changzhing Foods Company Limited (茂名嘉興食品有限公司) (Maoming Changzhing) and Hainan Jiadexin Foodstuff Company Limited (海南佳德信食品有限公司) (Hainan Jiadexin).

Maoming Changzhing was incorporated in the PRC on 4th March 2005 with a registered capital of US$5,000,000. A business licence (registration no. 0037449) was issued in the name of Maoming changzhing with an authorized operating period spanning between 4th March 2008 and 3rd March 2025. Scope of business of Maoming changzhing as highlighted in the Business Licence is storage of vegetable, fruit and poultry, food processing, making of ice, cold storage, plantation and breeding base. Hainan Jiadexin was incorporated in the PRC on 3rd December 2002 with a registered capital of RMB5 million. A business licence (registration no. 0900032) was issued in the name of Hainan Jiadexin with an authorized operating period spanning between 3rd December 2002 and 3rd December 2010. Scope of business of Hainan Jiadexin as highlighted in the Business Licence is aquaculture, agricultural, food processing and sale of the aforesaid products.

Prowealth specializes in nursery, processing and export of tilapia fish and shrimp and its customers mainly comprise of Australia, Korea and US seafood distributors and importers from other countries. Maoming Changzhing is mainly devoted to production of frozen tilapia fillet while Hainan Jiadexin is mainly devoted to production of frozen shrimp.

Prowealth's production facilities have been evaluated and certified for meeting the requirements of the Hazard Analysis Critical Control Points Standards (HACCP), the Best Aquaculture Practices Certificate, ISO 9001:2000, Hygiene Certificate and Quality Contract Certificate standards and are qualified to export aquatic products to EU and North America.

Industry Overview

The PRC economy has grown rapidly over the past two decades. According to the National Bureau of Statistics of the PRC, the PRC reported a GDP of approximately RMB30,067 billion in 2008. Despite the global credit crisis, the first three quarters of 2009 experienced a rapid growth following by a series of stimulus measures, including a 4-trillion RMB investment package, tax cuts, and consumer subsidies. However, some major economic partners with the PRC around the world, such as USA, UK and some European countries are facing the situation of recession which slows down the economic growth in the PRC.

According to the National Bureau of Statistic of the PRC, the PRC has a population of approximately 1.33 billion as at 9th November 2009, and there has been an accompanying increase in consumer purchasing power. According to a recent report by Glitner Bank, consumption of seafood in the PRC has grown in line with the expansion of the country's affluent middle class, rising from 11.5kg per capita in 1990 to an average of 25.6kg per capita in 2006. A further rise of 40 percent to 35.9kg is expected by 2020.

In terms of value, according to the National Bureau of Statistics of the PRC, an urban household in the PRC spent approximately RMB3,628 per capita on food in 2007, amounting to approximately 36.3% of total living expenditure on average, more than on any other single item. As GDP and personal disposable income continue to grow, it is expected that consumers will seek a greater range of choices and that they will be increasingly health-conscious and diet-conscious.

In the PRC, seafood production industry has become one of the most important economic sources. In 2008, the total seafood production is approximately 48,960 million tonnes which is 108 times of the production in 1949. The nation's export value was about US$160 million in 2008.

The PRC seafood products export mainly to Japan and America in 2008 and the breakdown is set out as follows:

Country	**Export Percentage** *(%)*	**Change**
Japan	26.1	-4
USA	19	1
EU	16.8	0.7
Korea	10.4	-1.3
Hong Kong	6	0
ASEAN	6	2

Source: 中商情報網 http://www.askci.com

While, the export of frozen fish filet and is the primary exportation product in 2008 and the breakdown of the export of preserved seafood is set out as follows:

Type	**Export value percentage** *(%)*
Deep-preserved food	46.5
Frozen fish fillets and fish	30.7
Mollusk	6.1
Crustacean	3.6
Alive Fish	4.6
Dried / Salted Fish	2.6
Algae and their products	1.7
Fresh / Cold Fish	1.2

Source: 中商情報網 http://www.askci.com

The breakdowns of the exportation main spices are as follows. Shrimps, shellfish and tilapia are the primary spices to be exported.

Type	Export value percentage (%)
Shrimp	17.9
Shellfish	14.6
Tilapia	10.9
Eel	9.1
Crawfish	2.3
Yellow croaker	2.1
Catfish	1.1

Source: 中商情報網 http://www.askci.com

Tilapia has become the third most important fish in aquaculture after carps and salmonids, with production reaching 1,505,804 metric tons in 2002. According to estimations of 2007, the annual world-wide tilapia production will probably reach 4 million tonnes in the near future and this would make the production of tilapia exceeded that of salmon.

Because of their large size, rapid growth and palatability, tilapia is at the focus of major aquaculture efforts. The five major countries producing Tilapia filets include the PRC, Egypt, Indonesia, Philippines and Thailand while the PRC is by far the largest exporter and producer of tilapia in the world which accounts for 50% of the global tilapia production. In 2007, the production of Tilapia is approximately 1,210,000 tone and Guangdong, Hainan, Guangxi and Fujian are the major 4 cities of producing Tilapia. In 2010, the production of tilapia in the PRC is expected to reach 3 million tonnes while export US$460 million worth of tilapia by 2010. China also plans to improve technology in eastern coastal cities, including a planned research facility for disease prevention, high-quality feed and ecologically friendly cultivation methods.

During January to October 2008, the export of Hainan Tilapia fillets was approximately 71,500 tonnes with value of approximately US$2.39 billion, approximately 5.2 times that of 2004. Referring the Eighth International Symposium on Tilapia Aquaculture, the export to America must be affected.

The United States is one of the most important markets of the PRC Tilapia producer. In terms of frozen whole round tilapia and tilapia fillets, productions from the PRC dominated the America market share in 2008. In that year, the PRC exported 1.16 million tons tilapia to America which costs more than US$4.36 million. In the exportation to America, the products are primarily frozen tilapia fillets.

Export to EU and middle east countries will be less affected and remain a steady growth as more countries in Europe start to accept tilapia in their diet.

The domestic market demand for tilapia is continuously increasing. However, the price of tilapia is not expected to increase dynamically in a short future. Tilapia can only be survived in warm climate which means it can only be produced in the southern part of the PRC. It could be costly to transport large batch of live fishes from south to other parts of the PRC while preserved products are not popular in the PRC market. And there are some other alternatives available in the market with a lower price. Therefore, Tilapia products in the PRC domestic market are experiencing marketing difficulties in terms of transportation and price. Thus, the domestic demand can only be able to alleviate part of the effect of the drop in the export sales.

Valuation Methodology

We have considered three generally accepted valuation approaches in arriving at our opinion of value of Prowealth, they are the income approach, the market approach and the cost approach.

The income approach depends on the present worth of future economic benefits to be derived from ownership of an asset. Thus, an indication of value was developed by discounting future free cash flow available for distribution to the asset owners at their present worth at a market-derived rates of return appropriate for the risks and hazards associated with the comparable business.

The market approach determines the fair value of an asset by reference to the transaction prices, or 'valuation multiples' implicit in the transaction prices, of similar assets and companies in the market. A valuation multiple is a multiple determined by dividing the transaction price paid for similar assets or transaction prices paid for companies with comparable assets by a fundamental economic variable. The numerator and denominator used, of course, determines what the multiple represents, for example, enterprise value divided by earnings before interest tax depreciation and amortization results in a EV to ebitda multiple.

In addition, listed entities can also be used to benchmark as the current market capitalization of a listing company can be substituted for the transaction price as it represents what investors in the market are willing to pay for equity in a particular company at that point in time.

The cost approach seeks to valuing an asset by measuring the costs to replace / reproduce the identifiable components of the asset less depreciation from physical deterioration, functional and economic obsolescence if present and measurable. The main assumption underlying this approach is that the costs to replace / reproduce the asset is commensurate with its economic value.

Among the three approaches, the market approach is selected as the most appropriate approach to value Prowealth as it relies on the data in relation to the asset's actual historical variables and actual market transactions prices which is considered to be more reliable than income approach which relies on financial forecast. The cost approach is not considered to be appropriate for measuring the fair value of Prowealth as it disregards the economic benefits of those unidentifiable asset components that may exist.

The enterprise value (EV) to earnings before interest tax depreciation and amortization (EBITDA) ratio is considered to be the most appropriate multiple for valuing Prowealth for the following grounds:

- The first advantage of EV/EBITDA is that it is not affected by the capital structure of a company, in accordance with capital structure irrelevance. This is something that it shares with EV/EBIT and EV/EBITA
- EV/EBITDA also strips out the effect of depreciation and amortisation. These are non-cash items, and it is ultimately cash flows that matter to investors.

We have searched for the EV-to-EBITDA ratios of selected listed companies based on their market share prices as established in the trading through the Stock Exchange as well as their assets and liabilities as reported in their latest interim / annual reports. The following companies have been identified and selected on the criteria that all comparables are engaging in farming and manufacturing of seafood.

No	Name of Company	Brief description of businesses	Enterprise Value as at 31st October 2009 *(million)*	EV to EBITDA Ratio
1	Pacific Andes International Holdings Limited (1174.HK)	The company provides frozen seafood products to an international clientele. The company has four segments: frozen fish supply chain management, which is engaged in the sale of frozen fish and other seafood products and shipping services, fish fillets processing and distribution, which is engaged in the selling and processing of frozen seafood products; fishing and fishmeal, which sells fish and other marine catches, and produces and sells fishmeal and fish oil.	HK$13,591	8.116
2	Oceanus Group Limited (Ocnus. SP)	The company is the holding company for two principal businesses: aquaculture production and abalone processing and distribution. It is a land-based abalone producer with a production capacity of 20,500 abalone tanks and an abalone population of 138.6 million abalones (excluding 14.1 million uncaged one-year-old abalones and an estimated 150 million newly bred abalones) as at December 31, 2008.	RMB3,083	6.249

No	Name of Company	Brief description of businesses	Enterprise Value as at 31st October 2009 *(million)*	EV to EBITDA Ratio
3.	Interfish Aquaculture S.A.	Interfish Aquaculture S.A. is a Greek Company that is engaged in the farming of Mediterranean species of sea fish. The Company's product range includes sea bream and sea bass. It also produces fry for these species in inland hatchery facilities and eels with the distribution and trading of its products.	EUR57.58	10.398
4.	Sanford Limited (SAN.NZ)	Sanford Limited is a The PRC-based company engaged in harvesting, processing and selling seafood products.	NZD577	9.391
5.	SEKO SA (SEK.PW)	The company is a Poland-based company engaged in the fish processing industry. The Company's product portfolio consists of three groups: marinated fish, including fish products based on salted or fried herring in vinegar and tomato brine; salted fish, encompassing various kinds of herrings, and delicatessen fried fish products, featuring herring, cod and mackerel specialties.	Pln51.14 (Polish Zloty)	7.891
6.	HQ Sustainable Maritime Industries Inc. (HQS.US)	HQ Sustainable Maritime Industries, Inc. (HQS), is an integrated aquatic product producer, processor and farmer with the operations in the People's Republic of China (PRC) of toxin free tilapia, other aquatic products and marine bio and healthcare products..	USD44.7	2.288
7.	Tassal Group Limited (TGR.AU)	Tassal Group Limited is an Australia-based company. The principal activities of the Company is hatching, farming, processing, sales and marketing of Atlantic Salmon.	AUD445.11	10.713

No	Name of Company	Brief description of businesses	Enterprise Value as at 31st October 2009 *(million)*	EV to EBITDA Ratio
8.	China Fishery Group Limited (CFG.SP)	The company operates as a global and integrated industrial fishing company which operates includes fishing operation comprising fishing and sale of fish and marine catches.	USD1,080	6.882

Note:

1. The enterprise value of Pacific Andes International Holdings Limited is based on the market capitalization of HK$3,973.46 million as at the valuation date plus reported total debt of HK$7,255.82 million plus minority interest of HK$2,697.73 million less cash of HK$335.49 million and the 12M EBITDA is HK$1,674.57 million.

2. The enterprise value of Oceanus Group Limited is based on the market capitalization of RMB3,108.29 million as at the valuation date plus reported total debt of RMB12.98 million plus minority interest of RMB1.68 million less cash of RMB39.72 million and the 12 month EBITDA is RMB493.38million.

3. The enterprise value of Interfish Aquaculture S.A. is based on the market capitalization of EUR12.13 million as at the valuation date plus reported total debt of EUR47.68 million plus minority interest of zero less cash of EUR2.23 million and the 12 month EBITDA is EUR5.5375 million.

4. The enterprise value of Sanford Limited is based on the market capitalization of NZD455.97 million as at the valuation date plus reported total debt of NZD126.38 million plus minority interest of NZD 0.6million less cash of NZD5.36 million and the 12 month EBITDA is NZD 61.5 million.

5. The enterprise value of SEKO SA is based on the market capitalization of Pln65.17 million as at the valuation date plus reported total debt of zero plus minority interest of zero less cash of Pln 14.03 million and the 12 month EBITDA is Pln 6.48 million.

6. The enterprise value of HQ Sustainable Maritime Industries Inc. is based on the market capitalization of USD102.952 million as at the valuation date plus reported total debt of USD 4.84 million plus minority interest of zero less cash of USD63.09 million and the 12 month EBITDA is USD19.53 million.

7. The enterprise value of Tassal Group Limited is based on the market capitalization of AUD372.85 million as at the valuation date plus reported total debt of AUD75.94 million plus minority interest of zero less cash of AUD3.68 million and the 12 month EBITDA is AUD41.549 million.

8. The enterprise value of China Fisher Group Limited is based on the market capitalization of USD 750.8 million as at the valuation date plus reported total debt of USD 350.17 million plus minority interest of zero less cash of USD 20.39 million and the 12 month EBITDA is USD157.01 million.

The comparable transactions produced EV-to-EBITDA ratios ranging from 2.288 to 10.287 with a mean of 7.74x. Prowealth unaudited financial information was provided by the company and after discussion with the Company, the adjusted EBITDA for the financial year ended 31st October 2009 was RMB25,658,168.96.

Given the enterprise value of Prowealth of RMB198,594,220 (being RMB25,658,168 times 7.74), the shareholder equity of Prowealth is calculated as follows:

Enterprise value	RMB198,594,220
less the total debt	RMB86,000,000
plus cash	RMB11,043,906
Shareholders' equity	RMB123,638,126
Round to	RMB124,000,000

Assumptions

Our appraisal included discussions with the management of the Company and Prowealth in relation to the history and nature of the business; a study of the financial data; a review of the information provided by the management in connection with the strategy of and the plan of action to be taken to implement the business plan. We have assumed that such information, opinions and representation provided to us are true and accurate. Before arrived at our opinion of value, we have considered the following major factors:

i. the market conditions in which Prowealth are being operated;

ii. the future operating strategies to be employed by Prowealth as provided by the Company; and

iii. the revenues would be generated from and the costs would be incurred for Prowealth's business operations as provided by the Company.

In view of the general environment and the particular situation in which Prowealth is operating, the following assumptions have been adopted in our appraisal in order to sufficiently support our concluded value of Prowealth:

i. there will be no major change in the existing political, legal and economic conditions in the PRC in which Prowealth is operated;

ii. there will be no major change in the current taxation law in The PRC, that the rates of tax payable by Prowealth remain unchanged and that all applicable laws and regulations will be complied with by it;

iii. the interest rates and exchange rates will not differ materially from those presently prevailing;

iv. Prowealth is free from any encumbrance and liability including but not limited to interest bearing debt, mortgage, charge, land premium, relocation compensation and development costs;

v. Prowealth shall have uninterrupted rights to operate its business over its farmland over the unexpired land use right term;

vi. Prowealth has obtained all necessary permits and approvals to carry out its business operations and subject to no further land premium or land use fees for land occupied by it; and

vii. All operating and processing equipment of Prowealth are in a good working condition and can perform efficiently according to the purposes for which they were designed and built.

Limiting Conditions

We have accepted such information as specifications and in the identification of the assets of Prowealth from the Company. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against Prowealth and its operating assets. In this valuation, it is presumed that, unless otherwise noted, the owners' claim is valid, the possession rights are good and marketable, and there are no encumbrances which cannot be cleared through normal processes.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others which have been used in formulating this analysis.

We do not investigate any industrial safety and health related regulations in association with this particular operations. It is assumed that all necessary licenses, procedures and measures were implemented in accordance with the government legislation and guidance.

Apart from those liabilities reported in the financial statement, no allowance has been made in our report for charges, mortgages or amounts owing on Prowealth and its operating assets (if any) nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that Prowealth and its operating assets are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Opinion of Value

In view of all relevant circumstances, we are of the opinion that the Fair Value of the entire shareholders' equity of Prowealth as at **31st October 2009** assuming free from encumbrance and any interest bearing debt other than those reported in the financial statement, is in the amount of **RMB124,000,000 (RENMINBI ONE HUNDRED AND TWENTY FOUR MILLION ONLY)**.

We hereby certify that we have neither present nor prospective interest in the appraised assets or the value reported.

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We have not investigated the title to or any liabilities against the asset appraised.

Yours faithfully,
For and on behalf of
Asset Appraisal Limited
Tse Wai Leung
MFin CFA MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors (RICS), the Hong Kong Institute of Surveyors (HKIS),a Registered Professional Surveyor (RPS) in General Practice and a holder of Chartered Financial Analyst(CFA). He 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 year's experience in valuation of businesses and assets in Hong Kong, in Macau and in the PRC.

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 31st October 2009 of the Properties held by Prowealth.

Asset Appraisal Limited
資產評值顧問有限公司

Rm 802, 8/F On Hong Commercial Building
No.145 Hennessy Road, Wanchai, HK
香港灣仔軒尼詩道145號安康商業大廈8樓802室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

24th December 2009

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 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 Prowealth Holdings Group Limited or its subsidiaries (altogether referred to as "**Prowealth**"), 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 **31st October 2009** (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 Dazhong Law Firm (福建大中律師事務所, the "PRC Legal Opinion"), to the Company on the relevant laws and regulations in the PRC, on the nature of the Prowealth 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 1 and 2 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) 0.881 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

	Property	Market value in existing states as at 31st October 2009
	Properties Held and Occupied by Prowealth in the PRC	
1.	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$12,200,000
2.	Land, various buildings and structure of 茂名長興食品有限公司 (Maoming Chang Xing Foodstuff Co., Ltd.) No.106 Guangnan Road Shuidong Town Dianbai County Maoming City Guangdong Province the PRC	HK$40,100,000
3.	Composite Building at No.108 Guangnan Road Shuidong Town Dianbai County Maoming City Guangdong Province the PRC	HK$12,300,000
	Grand total:	**HK$64,600,000**

VALUATION CERTIFICATE

Properties Held and Occupied by Prowealth in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31st October 2009 *HK$*
1.	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 (see note 2 below) 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 20th June 2054.	As at the date of our inspection, the property was occupied by Prowealth as workshops, warehouses and dormitories.	12,200,000

Notes:

1. Pursuant to the Land Use Rights Grant Agreement entered into between (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 27th 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 30th June 2004 and 12th 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 with respective areas of 20,943.95 square metres and 4,409.01 square metres are held by Hainan Jiadexin Foodstuff Co., Ltd. (海南佳德信食品有限公司), a wholly-owned subsidiary of Prowealth, for a term expiring on 20th June 2054 for industrial uses. The total land area of 25,352.95 square metres as stated in the Land Use Rights Certificate is adopted in our valuation.

3. As stipulated in the Building Ownership Certificate (Ref. No. Haikou City Fang Quan Zhen Hai Fang Zhi Di HK 131376) dated 30th 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 Hainan Jiadexin Foodstuff Co., Ltd. (海南佳德信食品有限公司) 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 (中國農業發展銀行海南省分行) and the mortgage registration has been completed.

6. Opinion of the PRC Lawyer on the property is summarized as follows:

   6.1 Hainan Jiadexin Foodstuff Co., Ltd. (海南佳德信食品有限公司) has legally obtained the land use right of 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 for a term on 20th 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 square metres is legally held by Hainan Jiadexin Foodstuff Co., Ltd. (海南佳德信食品有限公司);

   6.3 Hainan Jiadexin Foodstuff Co., Ltd. (海南佳德信食品有限公司) has the rights to transfer, lease out or mortgage the land use rights of the property and the 2-storey industrial building;

   6.4 the land use rights in the property and the aforesaid 2-storey industrial building are free from any seizure and administrative custody or other coercive measures 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

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31st October 2009 *HK$*
2.	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 12th February 2054 and 8th June 2056 respectively.	As at the date of our inspection, the property was occupied by Prowealth as workshops, warehouses and dormitories.	40,100,000

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 Maoming Chang Xing Foods Co., Ltd. (茂名長興食品有限公司) for terms expiring on 12th February 2054 and 8th June 2056 respectively for industrial use. As confirmed by the management of Maoming Chang Xing Foods Co., Ltd., the subject land parcels and majority of the subject buildings were injected into Maoming Chang Xing Foods Co., Ltd. by one of its founders as his capital contribution amounting to RMB30,381,950. The asset injection was completed on 8th March 2006. The rest of the subject buildings have been constructed by Maoming Chang Xing Foods Co., Ltd. at its own costs of approximately RMB4,300,000.

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 Maoming Chang Xing Foods Co., Ltd. (茂名長興食品有限公司).

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. 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 (中國農業發展銀行電白縣支行) and the mortgage registration has been completed.

5. Opinion of the PRC Lawyer on the property is summarized as follows:

   5.1. Maoming Chang Xing Foods Co., Ltd. (茂名長興食品有限公司) has legally obtained the land use right of the one of the two subject land parcels namely lot no. 0605023-1 with an area of 39,786.70 square metres for a term expiring on 12th February 2054 for industrial uses;

   5.2 Maoming Chang Xing Foods Co., Ltd. (茂名長興食品有限公司) has legally obtained the land use right of the another land parcel namely lot no. 0605023-2 with an area of 6,611.56 square metres for a term expiring on 8th June 2056 for industrial uses;

5.3 the 8 sets of Building and Land Ownership Certificates as stated in footnote no. 2 above are legally held by Maoming Chang Xing Foods Co., Ltd. (茂名長興食品有限公司);

5.4 Maoming Chang Xing Foods Co., Ltd. (茂名長興食品有限公司) has the rights to transfer, lease out or mortgage the land use rights and the aforesaid 8 buildings of the property;

5.5 the land use rights in the property and the aforesaid 8 buildings are free from any seizure and administrative custody or other coercive measures by the government; and

5.6 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.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31st October 2009 *HK$*
3.	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 composite 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 15th November 2056.	As at the date of our inspection, the property was occupied by Prowealth as office and dormitories.	12,300,000

Notes:

1. Pursuant to an Agreement for Sale and Purchase issued on 10 December 2007, the property was acquired by Maoming Chang Xing Foods Co., Ltd. (茂名長興食品有限公司), a wholly-owned subsidiary of Prowealth, at a consideration of RMB 11,137,640. As confirmed by Prowealth, 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 Maoming Chang Xing Foods Co., Ltd. (茂名長興食品有限公司).

3. 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 (中國農業發展銀行電白縣支行) and the mortgage registration is under application.

4. Opinion of the PRC Lawyer on the property is summarized as follows:

   4.1 Maoming Chang Xing Foods Co., Ltd. (茂名長興食品有限公司) has legally obtained the land use right of the subject land parcel namely lot no. 0601150 with an area of 3,441.81 square metres for a term on 15th November 2056 for composite use;

   4.2 the Building and Land Ownership Certificate of the 8-storey building of the property is legally held by Maoming Chang Xing Foods Co., Ltd. (茂名長興食品有限公司) for residential use;

   4.3 Maoming Chang Xing Foods Co., Ltd. (茂名長興食品有限公司) has the rights to transfer, lease out or mortgage the land use rights and the 8-storey buildings of the property;

   4.4 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

   4.5 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 中國農業發展銀行電白縣支行 and the mortgage registration has been completed.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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. DISCLOSURE OF INTERESTS

Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Nature of interests	Number of Shares (Long position)	Number of underlying Shares in respect of the options granted under the Share Option Scheme *(Note 2)*	Percentage of shareholding (approximate)
Mr. Zhang Xi *(Note 1)*	Beneficial interests	1,592,826,000	91,617,000	12.81%
Ms. Catherine Chen	Beneficial interests	–	91,617,000	0.70%

All the interests disclosed above represent long position in the shares or underlying shares of the Company.

Notes:

1. Mr. Zhang Xi is also a director of the Vendor and Fulbond Corporate Management Limited, a wholly-owned subsidiary of the Company.

2. The options were granted to Mr. Zhang Xi and Ms. Catherine Chen to subscribe for Shares pursuant to the share option scheme adopted by the Company on 19th November 2001. The options were exercisable at HK$0.041 per Share and will expire on 13th July 2011.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there is no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. INTERESTS IN CONTRACT OR ARRANGEMENT

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

5. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31st December 2008, the date to which the latest published audited financial statements of the Group were made up, 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.

6. DIRECTORS' INTEREST IN COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or any of their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within two years immediately preceding the Latest Practicable Date and which are, or may be, material to the Group:

(a) the Sale and Purchase Deed;

(b) the placing agreement dated 6th August 2009 entered into between the Company as issuer and Kingston Securities Limited as placing agent (as supplemented and amended by a side letter made between the same parties) in relation to the placing of convertible redeemable notes to be issued by the Company in the maximum aggregate principal amount of HK$800,000,000 on the best effort basis;

(c) a deed of charge dated 17th October 2008 entered into between Wise Virtue, the Vendor and the Company, pursuant to which, 6,667 Sale Shares were charged by the Vendor in favour of Wise Virtue;

(d) a deed of charge dated 17th October 2008 entered into between Sun Boom, the Vendor and the Company, pursuant to which, 1,667 Sale Shares were charged by the Vendor in favour of Sun Boom;

(e) an agreement dated 5th June 2008 entered into between Ta Fu Timber Company Limited, a wholly-owned subsidiary of the Company, as transferor and Jilin Province Sanchazi Forestry Bureau* (吉林省三岔子林業局) and Changchun Plywood Factory Branch Factory* (長春膠合板廠分廠) as transferees, in respect of the disposal of 55% equity interest in 吉林省福春木業有限公司 (Jilin Province Fuchun Timber Co., Ltd.*) ("Fuchun") at a consideration of RMB1 million;

(f) a deed of charge dated 30th May 2008 (as supplemented by a deed dated 26th August 2008) entered into between Sun Boom, the Vendor and the Company, pursuant to which, 1,666 Sale Shares were charged by the Vendor in favour of Sun Boom;

(g) an agreement dated 28th May 2008 entered into between (i) the Vendor as purchaser, (ii) the Company and (iii) Sun Boom and Wise Virtue as vendors in respect of shares of not less than 80% of the issued share capital of Prowealth at a consideration of HK$484,000,000 to be satisfied by the issue of (i) Shares in the amount of HK$323,088,240 at an issue price of HK$0.086 per Share to Wise Virtue; (ii) a 5 years convertible note in the principal amount of HK$80,265,260 by the Company to Wise Virtue with a conversion price of HK$0.086 per Share (subject to adjustment); and (iii) a 5 years convertible note in the principal amount of HK$80,646,500 by the Company to Sun Boom with a conversion price of HK$0.086 per Share (subject to adjustment);

* *For identification purpose only*

(h) an agreement dated 21st May 2008 entered into between Hong Kong Hongtu Investment Limited, a wholly owned subsidiary of the Company as purchaser, and Mr. Liang Zhen Mei as vendor in respect of the entire equity interests in Maoming Jiaxing Foods Co., Limited at a consideration of RMB4,800,000;

(i) a deed of charge dated 9th April 2008 entered into between Sun Boom and the Company over the US dollars interest bearing bank account opened and maintained by the Company with deposit of the subscription money for the convertible note in the principal amount of US$3,700,000 issued by the Company to Sun Boom on 9th April 2008;

(j) an agreement (as amended by two supplemental deeds dated 27th February 2008 and 30th April 2008 entered into between the same parties) dated 22nd February 2008 entered into between (i) the Vendor as purchaser, (ii) the Company, (iii) Sun Boom as vendor and (iv) Ajia Partners Special Situations Fund ILP as Sun Boom's guarantor relating to the sale and purchase of the shares representing 20% of the share capital of Prowealth at a consideration of HK$121,000,000 to be satisfied by the issue of a 2 years convertible note in the principal amount of HK$121,000,000 by the Company to Sun Boom with a conversion price of HK$0.086 per Share (subject to adjustment); and

(k) a subscription agreement dated 22nd February 2008 entered into between the Company and Sun Boom whereby Sun Boom agreed to subscribe a 2 years convertible note issued by the Company in the principal amount of US$3,700,000 with a conversion price of HK$0.086 per Share (subject to adjustment).

9. QUALIFICATIONS OF EXPERTS

The following are the qualifications of the professional advisers who have given opinions or advice contained in this circular:

Names	**Qualifications**
Quam Capital	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Asset Appraisal Limited	Independent professional valuer

The letter and report from Quam Capital, Deloitte Touche Tohmatsu and Asset Appraisal Limited are given as of the date of this circular for incorporation in this circular.

10. CONSENTS

Each of Quam Capital, Deloitte Touche Tohmatsu and Asset Appraisal Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports and letters, as the case may be, and references to its names in the form and context in which it appears.

As at the Latest Practicable Date, none of Quam Capital, Deloitte Touche Tohmatsu and Asset Appraisal Limited had 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.

As at the Latest Practicable Date, none of Quam Capital, Deloitte Touche Tohmatsu and Asset Appraisal Limited had any direct or indirect interest in any assets which have been, since 31st December 2008, the date to which the latest published audited financial statements of the Group were made up, 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.

11. CORPORATE INFORMATION

(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 2807, 28th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong.

(b) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) The company secretary of the Company is Mr. Ho Yee Kee, Ricky, who is an associate member of the Association of Chartered Certified Accountants.

(d) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Unit 2807, 28th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong during normal business hours up to and including the date of the SGM:

(a) the Memorandum of Association and bye-laws of the Company;

(b) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 14 of this circular;

(d) the letter of advice from Quam Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 15 to 27 of this circular;

(e) the consent letters from Quam Capital, Deloitte Touche Tohmatsu and Asset Appraisal Limited referred to in the paragraph headed "Consents" in this Appendix;

(f) the accountants' report of the Group from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this circular;

(g) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix II to this circular;

(h) the report prepared by Asset Appraisal Limited, the text of which is set out in Appendix IV to this circular;

(i) the annual reports of the Company for the two years ended 31st December 2007 and 2008; and

(j) this circular.

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 ("**SGM**") of Fulbond Holdings Limited (the "**Company**") will be held at Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 18th January 2010 at 11:00 a.m. or any adjournment(s) thereof, for the purpose of considering and, if thought fit, passing with or without modification, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**:

(a) the sale and purchase deed dated 4th December 2009 entered into between (i) Fulbond Investments Limited, a wholly-owned subsidiary of the Company, as vendor (the "**Vendor**"), (ii) the Company, (iii) Sincerity Shine Holdings Limited as purchaser (the "**Purchaser**") and (iv) Li Geng as the Purchaser's guarantor in relation to the sale and purchase of 10,000 ordinary shares of US$1.00 each in the share capital of Prowealth Holdings Group Limited for a consideration of HK$165,000,000.00 (the "**Sale and Purchase Deed**", a copy of which has been produced to the meeting marked "A" and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder including but not limited to the entering into of the share charge in such form and substance as attached in a schedule to the Sale and Purchase Deed be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he may in his absolute discretion consider necessary, desirable or expedient for the purposes of or in connection to implementing, completing and giving effect to the Sale and Purchase Deed and the transactions contemplated thereunder and to agree to such variations of the terms of the Sale and Purchase Deed as he may in his absolute discretion consider necessary or desirable."

By Order of the Board
Fulbond Holdings Limited
Zhang Xi
Chairman

Hong Kong, 24th December 2009

Head Office and principal place of business in Hong Kong:
Unit 2807, 28/F.,
The Center
99 Queen's Road Central
Central
Hong Kong

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

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 in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 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 or any adjournment thereof.

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 the form of proxy will not preclude you from attending and voting at the SGM in person should you so wish.

As at the date of this notice, the board of directors of the Company comprises six executive directors, namely Mr. Zhang Xi, Ms. Catherine Chen, Mr. Yeung Kwok Yu, Mr. Lee Sun Man, Mr. Kwan Kam Hung, Jimmy and Mr. Wah Wang Kei, Jackie; and four independent non-executive directors, namely Mr. Hong Po Kui, Martin, Mr. Yu Pan, Ms. Ma Yin Fan and Mr. Leung Hoi Ying.