THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

WONSON INTERNATIONAL HOLDINGS LIMITED

(和成國際集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock code: 00651)

VERY SUBSTANTIAL ACQUISITION RELATING TO VESSEL MANUFACTURING BUSINESS

Financial Adviser to Wonson International Holdings Limited

KINGSTON CORPORATE FINANCE LIMITED

A notice convening a special general meeting of the Company to be held at 10:00 a.m. on 22 February 2008 at Macau Jockey Club, Function Room, 1/F., China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong, set out on pages 186 to 187 of this circular. Whether or not you are able to attend and/or vote at the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 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 the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

* *For identification purpose only*

6 February 2008

CONTENTS

Page

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

"Acquisition"	the acquisition by the Company from the Vendor of the issued share capital of INPAX pursuant to the Acquisition Agreement
"Acquisition Agreement"	the agreement dated 5 November 2007 entered into by the Company, the Vendor and the Guarantors in relation to the Acquisition (as supplemented by the Supplemental Acquisition Agreement)
"Announcement"	the Company's announcement dated 14 November 2007 in relation to the Acquisition
"associate"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"China Ruilian"	中國瑞聯實業集團有限公司 (China Ruilian Holdings Corp.)*, one of the former shareholders of Jiangxi Jiangzhou Shipyard. To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, China Ruilian is an Independent Third Party
"Company"	Wonson International Holdings Limited, a company incorporated in Bermuda with limited liability whose securities are listed on the Stock Exchange
"Completion"	completion of the Acquisition Agreement in accordance with the terms thereof
"Conditions"	the conditions to the completion of the Acquisition as set out in the Acquisition Agreement
"connected persons"	has the meaning ascribed thereto in the Listing Rules
"Consideration"	consideration for the Acquisition, being in total of HK$3,500 million
"Conversion Share(s)"	20,000,000,000 new Shares (subject to adjustments) to be allotted and issued to the holder of the Convertible Notes upon exercise of the conversion right of the Convertible Notes, if fully exercised
"Convertible Note(s)"	including both the Restricted Convertible Note and Unrestricted Convertible Note, to be issued by the Company in an aggregate principal amount of HK$3,000 million at a conversion price of HK$0.15 per Share
"Director(s)"	director(s) of the Company

"Enlarged Group"	the Group as enlarged immediately after the Completion
"Group"	the Company and its subsidiaries
"Guarantors"	Mr. Yiu and Mr. Hei, being the guarantors to the Acquisition Agreement
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong GAAP"	Generally Accepted Accounting Principles in Hong Kong
"Independent Third Party"	person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, third parties who are independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
"INPAX"	INPAX Technology Limited, an investment holding company incorporated in the British Virgin Islands on 8 February 2000 and whose sole asset is the entire equity interest in Jiangxi Jiangzhou Shipyard
"INPAX Group"	INPAX and its subsidiaries
"Jiangxi Jiangzhou Shipyard"	江西江州聯合造船有限責任公司 (Jiangxi Jiangzhou Union Shipbuilding Co., Ltd.)*, a company established on 16 June 2005 in the PRC with limited liability and became a sino-foreign joint venture in December 2006 and a WOFE in September 2007, is wholly owned by INPAX
"Jiangxi Topsky"	江西天宇科技有限公司 (Jiangxi Topsky Technology Co., Ltd.)*, one of the former shareholders of Jiangxi Jiangzhou Shipyard. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, Jiangxi Topsky is an Independent Third Party
"Latest Practicable Date"	4 February 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Letter of Intent"	The letter of intent dated 28 September 2007 entered into between the Company and the Vendor in connection with the Acquisition
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Mr. Hei"	Mr. Hei Liang Ze (黑良慈), the legal and beneficial owner of 18% of the entire issued share capital of the Vendor and one of the Guarantors to the Acquisition Agreement, and an Independent Third Party
"Mr. Yiu"	Mr. Yiu Yat On (姚逸安), the legal and beneficial owner of 10% of the entire issued share capital of the Vendor and one of the Guarantors to the Acquisition Agreement, and an Independent Third Party
"PRC"	the People's Republic of China
"PRC GAAP"	Generally Accepted Accounting Principles in the PRC
"Profit Guarantee"	the profit guarantee given by the Vendor and the Guarantors in favour of the Company that the audited consolidated net profit after tax of INPAX Group (excluding revaluation gain from any assets) prepared in accordance with Hong Kong GAAP for the financial year ending 31 December 2008 shall not be less than HK$600 million
"Profit Guarantee Period"	for the financial year ending 31 December 2008
"Restricted Convertible Note"	part of the non-interest bearing Convertible Notes with a 36-month term in the principal amount to be determined based on the higher of (i) the amount of the Profit Guarantee and (ii) the shortfall, if any, between the Consideration and the fair market value (net of total liabilities) of INPAX Group upon Completion to be assessed by an independent appraiser, to be issued as part of the Consideration will be held by the Company as security for the performance of the Profit Guarantee by the Vendor, pursuant to the terms and condition of the Convertible Note, the Vendor shall not exercise the rights attaching thereto during the Profit Guarantee Period and in any event not earlier than 31 March 2009
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"SGM"	a special general meeting of the Company to be convened at 10:00 a.m. on 22 February 2008 at Macau Jockey Club, Function Room, 1/F., China Merchants Tower, Shun Tak Centre, 200 Connaught Road, Central, Hong Kong, to approve, amongst other things, the Acquisition and the issue of the Convertible Notes
"Share(s)"	ordinary share(s) of HK$0.001 each in the existing share capital of the Company

"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Acquisition Agreement"	the agreement dated 21 January 2008 entered into by the Company, the Vendor and the Guarantors which superceded certain payment terms of the Acquisition Agreement
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"TEU"	twenty-foot equivalent container unit
"Unrestricted Convertible Note"	part of the interest-bearing Convertible Notes with a 36-month term in the principal amount of HK$3,000 million less the principal amount of the Restricted Convertible Note, to be issued as part of the Consideration and the Vendor shall have the rights at any time and from time to time, following the date of issue of the Convertible Note, to convert the whole or any part of the outstanding principal amount into Conversion Shares, subject to the conditions set out therein and in the Acquisition Agreement
"Vendor"	Million King Investments Limited, a company incorporated in the British Virgin Islands with limited liability on 15 August 2007, which is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party
"WOFE"	a wholly-owned foreign enterprise established in the PRC by a single foreign person or entity
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"USD"	United States dollars, the lawful currency of the United States of America
"sq. m."	square meter(s)
"%" or "per cent"	percentage

* *denotes English transliteration of Chinese words and is provided for identification purposes only*

WONSON INTERNATIONAL HOLDINGS LIMITED
(和成國際集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock code: 00651)

Executive Directors:
Mr. CHAU On Ta Yuen
Mr. TANG Chi Ming
Mr. ZHANG Shi Hong

Independent Non-executive Directors:
Ms. CHAN Ling, Eva
Mr. CHAN Sek Nin, Jackey
Mr. SIN Chi Fai

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of business in Hong Kong:
Unit 1201, 12/F.,
88 Gloucester Road,
Wanchai,
Hong Kong

6 February 2008

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION RELATING TO VESSEL MANUFACTURING BUSINESS

INTRODUCTION

On 14 November 2007, the Board announced that on 5 November 2007, the Company, the Vendor and the Guarantors entered into the Acquisition Agreement, pursuant to which the Company conditionally agreed to acquire from the Vendor the entire issued share capital of INPAX at a total consideration of HK$3,500 million. Upon completion of the Acquisition, the Company will be beneficially interested in the entire issued share capital of INPAX whose sole asset is the entire equity interest in Jiangxi Jiangzhou Shipyard, a company established on 16 June 2005 in the PRC with limited liability and became a sino-foreign joint venture in December 2006 and a WOFE in September 2007 which is principally engaged in the (i) production and operation of metal vessel manufacturing, vessel ancillary products and equipment; (ii) reparation of vessels; and (iii) manufacture of cranes and electric appliances.

The Acquisition constitutes a very substantial acquisition in respect of the Company under the Listing Rules. The Acquisition and the issue of the Convertible Notes are subject to the Shareholders' approval at the SGM.

The purpose of this circular is to give you, among other things, (i) further details of the Acquisition and other disclosures in connection with the Acquisition required pursuant to the Listing Rules; and (ii) valuation report issued by an independent appraiser on the fair market value (net of total liabilities) of INPAX Group; together with (iii) the notice of SGM.

VERY SUBSTANTIAL ACQUISITION

Acquisition Agreement (as supplemented by the Supplemental Acquisition Agreement)

Date : 5 November 2007

Parties:

Purchaser : the Company

Vendor : Million King Investments Limited, a company incorporated in the British Virgin Islands with limited liability whose shareholding structure is set out as below:

Name of shareholders	Shareholding interest
HEI, Liang Ci (黑良慈)	18%
LEE, Chi Kong (李志剛)	18%
LI, Kecheng (李克誠)	17%
CHENG, Man For (鄭文科)*	17%
YIU, Yat On (姚逸安)	10%
KWAN, Shan (關山)*	10%
TANG, Qi (唐頎)	10%

Guarantors : Mr. Yiu and Mr. Hei (the "Guarantors")

* These two individual shareholders of the Vendor are nominee holders of the shareholding in the Vendor for and on behalf of Mr. Li Jun. To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, Mr. Li Jun is an Independent Third Party.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendor and its shareholders are Independent Third Parties.

Assets to be acquired

10,000 shares, representing the entire issued share capital, of INPAX. The only asset of INPAX, a company incorporated in the British Virgin Islands, is the entire equity interest in Jiangxi Jiangzhou

Shipyard, a company established on 16 June 2005 in the PRC with limited liability and became a sino-foreign joint venture in December 2006 and a WOFE in September 2007 which is principally engaged in the (i) production and operation of metal vessel manufacturing, vessel ancillary products and equipment; (ii) reparation of vessels; and (iii) manufacture of cranes and electric appliances.

For further information on INPAX Group, please refer to the section headed "Information on INPAX Group" in this circular.

Consideration

The Consideration of HK$3,500 million shall be satisfied in the following manner:

(i) HK$3,000 million by issue of the Convertible Notes at a conversion price of HK$0.15 per Conversion Share to the Vendor upon completion of the Acquisition;

(ii) HK$300 million in cash upon completion of the Acquisition; and

(iii) the remaining balance of HK$200 million in cash payable on or before 31 December 2009.

The Consideration was determined after arm's length negotiation between the Company and the Vendor with reference to, amongst other things, (i) the business prospect of the vessel manufacturing industry, potential profitability and market scalability of Jiangxi Jiangzhou Shipyard; (ii) the asset quality back-up of Jiangxi Jiangzhou Shipyard as detailed under the section headed "Information on INPAX Group" and (iii) the Profit Guarantee. Taking the above factors into account, the Directors are of the view that the consideration for the Acquisition is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

A refundable interest-bearing deposit of HK$50 million will be deposited by the Company according to the terms of the Letter of Intent and the Acquisition Agreement to an escrow agent who shall act as a stakeholder and hold such deposit until the satisfactory completion of the Acquisition Agreement whereupon such deposit will be released to the Vendor as partial payment of the total Consideration as stipulated in the Acquisition Agreement. Interest income to be earned on such deposit is not fixed and the actual interest income shall be refunded to the Company or to be utilized for the partial payment of the total Consideration upon the satisfactory completion of the Acquisition will be subject to prevailing term rate offered by the bank after deduction of handling charges (i.e. 10% of the actual interest) by the escrow agent.

To the best of the Directors' knowledge, information and belief having made reasonable enquiries, the escrow agent is an Independent Third Party. It is intended that the cash portion of the Consideration would be financed by equity financing and/or internal financial resources of the Group.

The conversion price of HK$0.15 per Conversion Share under the Convertible Notes represents:

(i) a discount of 40% to the closing price of the Shares of HK$0.25 on 5 November 2007, being the last trading day immediately before the publication of the Announcement;

(ii) a discount of approximately 39.52% to the 5-day average closing price of the Shares of approximately HK$0.248 taking into account the trading days immediately before the publication of the Announcement;

(iii) a discount of approximately 37.86% to the 10-day average closing price of the Shares of approximately HK$0.2414 taking into account the trading days immediately before the publication of the Announcement;

(iv) A discount of approximately 24.62% to the closing price of the Shares of HK$0.199 on 27 September 2007, being the last trading day immediately before the date of the Letter of Intent; and

(v) a discount of approximately 12.79% to the closing price of the Shares of HK$0.172 on the Latest Practicable Date.

The Conversion Shares, when issued upon exercise of the Convertible Notes, will rank pari passu in all respects among themselves and with all other Shares in issue on the date of such allotment and issue. There will be certain restrictions on the conversion of the Convertible Notes. Please refer to the sub-heading "Conversion" under the section headed "The Convertible Note" below.

The basis in respect of the conversion price of the Convertible Notes were determined between the Company and the Vendor, among other things, after arm's length negotiations with reference to (i) the time when the legally-binding terms of the Letter of Intent was entered into between the Company and the Vendor on 28 September 2007; (ii) the Profit Guarantee features offering unlimited safeguard to the Company from any profit shortfall or loss making during the Profit Guarantee Period; (iii) the controlling stake in INPAX Group which enable the Company to fully tap into the business potential of Jiangxi Jiangzhou Shipyard; (iv) the business scalability and prospects of Jiangxi Jiangzhou Shipyard; and (v) high volatility of the share price movement of the Company. The Directors are of the view that the conversion price of the Convertible Notes is fair and reasonable. The conversion price of HK$0.15 per Conversion Share were fixed at the time of entering into of the Letter of Intent as legally-binding terms and were determined after arm's length negotiations between the Company and the Vendor with reference to, among other things, the then prevailing share price performance.

In the event that the conversion rights attaching to the Convertible Notes were fully exercised by the Vendor, the 20,000,000,000 Conversion Shares represent approximately 116.29% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 53.77% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. However, due to the restriction on the conversion of the Convertible Notes as described in the sub-heading "Conversion" under the section headed "The Convertible Note" below, the scenario of full conversion of the Convertible Notes which results in any holder of the Convertible Notes holding 30% or above of the issued share capital of the Company as at the date of such conversion is provided for illustration purposes only. There will be no restriction on the subsequent sale of the Convertible Note.

An application will be made to the Stock Exchange for the listing of and permission to deal in the Conversion Shares.

As at the Latest Practicable Date, save for the convertible notes with a principal amount of HK$50,000,000 with a conversion price of HK$0.017 per Share, the Company has no outstanding options, warrants or convertible instruments to subscribe for any Shares.

The Convertible Note

The terms of the Convertible Note have been negotiated on arm's length basis and the principal terms of which are summarized below:

Principal amount

HK$3,000 million, comprises Restricted Convertible Note and Unrestricted Convertible Note.

The principal amount of the Restricted Convertible Note will be determined based on the higher of (i) the amount of the Profit Guarantee and (ii) the shortfall, if any, between the Consideration and the fair market value (net of total liabilities) of INPAX Group upon the Completion to be assessed by an independent appraiser.

The principal amount of the Unrestricted Convertible Note is HK$3,000 million (being the total principal amount of the Convertible Note) less the principal amount of the Restricted Convertible Note.

Assuming that the fair market value (net of total liabilities) of INPAX Group upon the Completion would be the same as the fair market value (net of total liabilities) of INPAX Group as at 30 November 2007 of RMB2,950,000,000 assessed by LCH (Asia-Pacific) Surveyors Limited in the valuation report set out in Appendix V to this circular, the principal amount of the Restricted Convertible Note would be equal to the amount of the Profit Guarantee, i.e. HK$600 million. Accordingly, the principal amount of the Unrestricted Convertible Note would be HK$2,400 million.

For the avoidance of doubt, the total principal amount of the Convertible Note is fixed at HK$3,000 million and the respective principal amount of the Restricted Convertible Note and the Unrestricted Convertible Note will be subject to adjustment according to the mechanism mentioned above.

Interest

In respect of the Restricted Convertible Note, no interest will be incurred.

In respect of the Unrestricted Convertible Note, at the rate of 1.5% per annum accrued on a day to day basis on the outstanding principal amount, payable semi-annually in arrears.

Maturity

36 months from the date of issue.

Denomination

In multiple of HK$15,000,000

Form

Registered form only

Conversion Price

HK$0.15 per Share, which is subject to adjustment for, sub-division or consolidation of new Shares, bonus issues, rights issues, issue of securities which carries rights for conversion, capitalization issue and distribution of dividend in cash or specie and other dilutive events.

The overriding principle as set out in the Stock Exchange's letter dated 5 September 2005 is that no adjustment to the exercise price or number of shares should be to the advantage of share option scheme participants without prior shareholders' approval. The adjustment that will be made to the conversion price in the event of, among other things, sub-division or consolidation of new Shares, bonus issues, rights issues and other dilutive events. Nevertheless, the Directors believe that the adjustment mechanisms set out in terms and conditions of the Convertible Note in general accord with the overriding principle.

Conversion

The holder(s) of the Unrestricted Convertible Note may convert the whole or any part of the principal amount of the Unrestricted Convertible Note outstanding into Conversion Shares from time to time following the issue of the Unrestricted Convertible Note at the price of HK$0.15 per Conversion Share provided that an integral multiple of HK$15,000,000 be converted and save that if the outstanding principal amount of the relevant Convertible Note is less than HK$15,000,000, the whole (but not part only) of the outstanding principal amount of the relevant Convertible Note must be converted.

The holder(s) of the Restricted Convertible Note may convert the whole or any part of the principal amount of the Restricted Convertible Note outstanding, after the shortfall (if any) from the Profit Guarantee having been discharged in full, into Conversion Shares from time to time following the expiry of the Profit Guarantee Period and in any event not earlier than 31 March 2009 and at the price of HK$0.15 per Conversion Share provided that an integral multiple of HK$15,000,000 be converted at any time and save that if the outstanding principal amount of the relevant Convertible Note is less than HK$15,000,000, the whole (but not part only) of the outstanding principal amount of the relevant Convertible Note must be converted.

Pursuant to the terms of the Convertible Notes, the conversion rights under the Convertible Notes shall only be exercisable to the extent that (i) the public float of at least 25% of the issued share capital of the Company as enlarged by the issue of Conversion Shares can be maintained; (ii) the aggregate shareholdings of the holder(s) of the Convertible Notes, their associates and parties acting in concert with them (as defined in the Takeovers Code) immediately after such exercise will not be or exceed 30% of the issued share capital of the Company; and (iii) the holder(s) of the Convertible Notes together with parties acting in concert (as defined in the Takeovers Code) with them shall not become a controlling Shareholder (as defined in the Takeovers Code).

The Acquisition will not result in a change in control (as defined in the Takeovers Code) of the Company.

Pursuant to the terms and condition of the Convertible Note, the Vendor shall not exercise the conversion rights attaching on the Restricted Convertible Note during the Profit Guarantee Period and in any event earlier than 31 March 2009.

Ranking

The Conversion Shares will rank pari passu in all respects among themselves and with all other Shares in issue on the date of such allotment and issue.

Redemption by the Company

The Convertible Note is not redeemable at the option of the holder(s). The Company shall have the right to redeem any portion of the Convertible Note outstanding at an amount equals to the principal amount of the Convertible Note together with any interest accrued thereon in its sole and absolute discretion at any time and from time to time prior to the maturity date of the Convertible Note. Unless previously converted or redeemed as herein provided, the Company shall redeem the Convertible Note(s) on the maturity date of the Convertible Note.

Transferability

The Convertible Note is freely transferable, provided that the holders of the Convertible Note must inform and obtain written consent from the Company of each transfer or assignment made by them. The Company undertakes to notify the Stock Exchange if any of the Convertible Note is transferred to a connected person (as defined in the Listing Rules).

Events of default

All Convertible Note contain an event of default provision which provides that on the occurrence of certain events of default (e.g. repayment overdue, insolvency, liquidation and suspension of trading on the Stock Exchange for a continuous period of 30 trading days due to the fault of the Company) specified in the Convertible Note, each of the holders of the Convertible Note shall be entitled to demand for immediate repayment of the principal amount outstanding under the relevant Convertible Note.

Guarantees

The Vendor and the Guarantors jointly and severally undertake to the Company that:

(1) the fair market value (net of total liabilities) of INPAX Group upon the Completion, to be assessed by an independent appraiser appointed by the Company and to be confirmed in a valuation report, shall be not less than HK$2,500 million or such other value as may be agreed by the Company. Where the appraised fair market value (net of total liabilities) of INPAX Group upon the Completion is less than HK$2,500 million, the Company shall be entitled to terminate the Acquisition Agreement at its sole discretion without any compensation to the Vendor. Upon termination, all the deposits stakeheld by the escrow agent together with interest accrued thereon shall be refunded to the Company; and

(2) the aggregate profits after tax (excluding revaluation gain from any assets) shown in the audited consolidated accounts of INPAX Group in accordance with Hong Kong GAAP for the financial year ending 31 December 2008 shall not be less than HK$600 million and will compensate the Company for any shortfall between the guaranteed profits and the actual profits after tax shown in the audited consolidated accounts of INPAX Group in accordance with Hong Kong GAAP for the financial year ending 31 December 2008. The Restricted Convertible Note of which the principal amount will be determined based on the higher of (i) the amount of the Profit Guarantee and (ii) the shortfall, if any, between the Consideration and the fair market value (net of total liabilities) of INPAX Group upon the Completion to be assessed by an independent appraiser, will be stakeheld by the Company for the purpose of ensuring that the Profit Guarantee requirement is fulfilled according to the Acquisition Agreement. The Vendor undertakes not to exercise the conversion rights attaching on the Restricted Convertible Note during the Profit Guarantee Period up to any event not earlier than 31 March 2009. In the event that the Restricted Convertible Note under security to the Company is not sufficient to cover the compensation amount due to the shortfall from the Profit Guarantee, the Vendor will be liable to pay the Company in cash, within 30 days from the receipt of the audited consolidated accounts of INPAX Group for the financial year ending 31 December 2008, for any outstanding compensation amount on a dollar-for-dollar basis after off-setting the amount represented by the Restricted Convertible Note. Based on the Directors' assessment on the business prospect of INPAX Group in meeting the Profit Guarantee, the Directors are satisfied that there is reasonable assurance of fulfilling the Profit Guarantee requirement in the view that the operational scale and business activities of INPAX Group with the contractual provisions had been put in place to safeguard potential compensation to the Company should the Profit Guarantee cannot be fulfilled by INPAX Group.

These joint and several undertakings given by the Vendor and the Guarantors are legally binding on both the Vendor and the Guarantors under the Acquisition Agreement.

Conditions

The completion of the Acquisition Agreement is conditional upon fulfillment of the following conditions:

(i) the passing of relevant resolution at the SGM by the Shareholders for approving the Acquisition Agreement and the transactions contemplated therein;

(ii) the representations, warranties and undertakings given by the Vendor in the Acquisition Agreement remain true, accurate and not misleading in all respects;

(iii) the Stock Exchange granting listing of and permission to deal in the Conversion Shares;

(iv) the Acquisition is not deemed to be a new listing application or a reverse takeover (as defined under the Listing Rules) by the Stock Exchange pursuant to the Listing Rules.

(v) the completion of the due diligence review of INPAX Group by the Company and the Company being satisfied with the results thereof.

The Company may at any time by notice in writing waive the conditions (except conditions (i) and (iii)) as set out above. In the event that the Conditions are not fulfilled or waived on or before 31 March 2008 or such other later date as may be agreed between the parties, the Acquisition Agreement shall forthwith be of no further effect, in which all the obligations of the parties shall be released and the parties shall have no claims against each other in respect of the Acquisition Agreement. The Vendor shall refund or procure to instruct the escrow agent to refund the deposit of HK$50 million with accrued interest to the Company.

Completion of the Acquisition

Completion of the Acquisition shall take place on the third business days following fulfillment or waiver (as the case may be) of the Conditions, which is expected to take place on or before 31 March 2008 (or such later date as may be agreed between the Company and the Vendor). Upon Completion, the Company will own the entire issued share capital of INPAX.

INFORMATION ON INPAX GROUP

Background and business of INPAX

INPAX is an investment holding company incorporated in the British Virgin Islands on 8 February 2000. The share capital of INPAX was US$1 and has been increased to US$10,000 by the allotment of 9,999 shares of US$1 each at par to three individuals in November 2004. On 20 October 2006, two of the individuals transferred totally 6,800 shares to Mr. Liu Feng and the remaining individual transferred 3,200 shares to Mr. Hei Liang Ci. On 24 September 2007, Mr. Liu Feng and Mr. Hei Liang Ci transferred all of the shares to Million King Investments Limited. To the best of the Director's knowledge, information and belief having made all reasonable enquires, the Vendor and the former shareholders of INPAX are Independent Third Parties.

INPAX had become dormant since its incorporation until its acquisition of 25% equity interest in Jiangxi Jiangzhou Shipyard in December 2006. In September 2007, INPAX acquired the entire equity interest in Jiangxi Jiangzhou Shipyard. The sole asset of INPAX is the entire equity interest in Jiangxi Jiangzhou Shipyard.

Background and business of Jiangxi Jiangzhou Shipyard

Jiangxi Jiangzhou Shipyard was a company established on 16 June 2005 in the PRC with limited liability and became a sino-foreign joint venture in December 2006 and a WOFE in September 2007. Upon the establishment of Jiangxi Jiangzhou Shipyard on 16 June 2005, Jiangxi Jiangzhou Shipyard was owned by six individuals and the number of shareholders of Jiangxi Jiangzhou Shipyard subsequently increased to 26 individuals. In November 2006, China Ruilian and Jiangxi Topsky acquired the entire equity interest of Jiangxi Jiangzhou Shipyard from the 26 pre-existing shareholders and owned as to 33.33% and 66.67% of the equity interest of Jiangxi Jiangzhou Shipyard respectively. In December 2006, INPAX subscribed for 25% of the equity interest of Jiangxi Jiangzhou Shipyard and the shareholding structure became 35% by China Ruilian, 40% by Jiangxi Topsky and 25% by INPAX. In September 2007, INPAX acquired the remaining equity interest of Jiangxi Jiangzhou Shipyard from China Ruilian and Jiangxi Topsky and has become the sole shareholder of Jiangxi Jiangzhou Shipyard up to the Latest Practicable Date. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the former shareholders of Jiangxi Jiangzhou Shipyard are Independent Third Parties.

The main operations of Jiangxi Jiangzhou Shipyard are the (i) production and operation of metal vessel manufacturing, vessel ancillary products and equipment; (ii) reparation of vessels; and (iii) manufacture of cranes and electric appliances.

Jiangxi Jiangzhou Shipyard is located at 中國江西省瑞昌市下巢湖 (Xia Chao Hu, Ruichang City, Jiangxi Province, the PRC). It owns three large indoor plants of over 10,000 sq. m. each, with total plant area of approximately 180,000 sq. m. and site area of approximately 3,780,000 sq. m., one large indoor building berth (168 M x 36 M), two large outdoor building berths (230 M x 31 M) (under construction), and 500 meters of out-fitting quay which satisfies the requirements for vessel out-fitting. It also has a coastal line of 1,000 meters along the Yangtse River, and is equipped with 6,500 tons lifting strength floating dock, steel pre-treatment line, plasma welding and cutting equipment, cold frame bending machine, hydraulic tube bender, 1,250 tons hydraulic press, and over 1,000 units (sets) of various heavy duty equipment of 150 tons and 100 tons carts. Jiangxi Jiangzhou Shipyard has various scientific research departments, comprising design process room, material testing room, welding testing room, fissure detecting room, measuring room, and has the capability of designing and manufacturing various types of vessels of under 20,000 load tons.

Currently Jiangxi Jiangzhou Shipyard has over 800 employees, including 70 technicians, 330 workers directly involving in production, 257 production assisting workers, 80 production management staff, 40 administration staff, 6 logistics service staff, and over 20 inspection staff.

In September 2005, Jiangxi Jiangzhou Shipyard and a shipbroker (who is an Independent Third Party to facilitate the contract) entered into a construction contract with a Germany enterprise for the procurement of four 12,000 tons multi-purpose vessels. The first vessel under this contract, the 12,000 tons multi-purpose vessel, was officially launched on 15 February 2007. In 2006, the Company entered into another construction contract with the same German enterprise for further procurement of two 12,000 multi-purpose vessels, four 900 TEU container vessels, and entered into a construction contract with another German enterprise for the procurement of eight 16,500 tons chemical product vessels. In addition, Jiangxi Jiangzhou Shipyard further procured construction contracts for nine 16,500 tons chemical product vessels and ten 12,000 tons heavy crane vessels. The total orders of vessels of Jiangxi Jiangzhou Shipyard amounts to approximately RMB7,300 million.

Prospects

With the economic booming development in the emerging markets such as the PRC and India, the vessel market is currently facing with steady, persistent and strong demands. In view of the continued increase in the manufacturing cost of overseas vessel manufacturing enterprises, such as in Japan and Korea, whereas the vessel manufacturing techniques of the vessel manufacturers in the PRC continued to improve and progress, in addition to the manufacturing costs maintaining at a low level, the vessel manufacturing industry in the PRC has indicated an increasing trend. Jiangxi Jiangzhou Shipyard will capture this favorable opportunity, enhance technical improvements, renew equipments, so as to realise Jiangxi Jiangzhou Shipyard's shipbuilding capacity to reach 250,000 tons by 2010, that is annual production of 16 to 18 vessels of 10,000 tons grade.

Future plans

Jiangxi Jiangzhou Shipyard's objective is to become a leading vessel manufacturing enterprise in the Asian region, and to realise a vessel manufacturing capacity of 250,000 tons by 2010, that is the target of annual production of 16 to 18 vessels of 10,000 tons grade.

Jiangxi Jiangzhou Shipyard intends to implement the following plans:

1. Further increase investments in technological improvements, including appointment of overseas experts to visit and give guidances, enhance technical interflows with overseas advanced enterprises, send employees to be trained at overseas advanced enterprises;

2. Expand and renew Jiangxi Jiangzhou Shipyard's production facilities so as to enhance competitiveness;

3. Complete construction of two new building berths of 20,000 tons grade, and expand Jiangxi Jiangzhou Shipyard's production capacity;

4. Expand and renew infrastructures such as steel pre-treatment production and manufacture workshop, pipe processing workshop, coating workshop, docks, calling ports and container yards, so as to provide favorable conditions for the expansion of vessel manufacturing capacity.

Products

At present: 12,000 tons multi-purpose vessels, 900 TEU container vessels, 16,500 tons chemical product vessels.

In future: 20,000 tons multi-purpose vessels, 20,000 tons chemical product vessels

Customer base

Jiangxi Jiangzhou Shipyard has a customer base comprising of European customers, mainly for receiving vessel-building orders from German enterprises.

Financial information of INPAX Group

The following table sets out a summary of the audited financial results of INPAX Group:

	For the year ended 31 December 2004 *(Note 2)* *(Audited)* *HK$'000*	**For the year ended 31 December 2005** *(Note 2)* *(Audited)* *HK$'000*	**For the year ended 31 December 2006** *(Note 3)* *(Audited)* *HK$'000*	**For the period from 1 January 2007 to 30 September 2007** *(Note 4)* *(Audited)* *HK$'000*
Turnover	—	—	—	—
(Loss)/Profit before tax	—	(4)	(5)	658,450
(Loss)/Profit after tax	—	(4)	(5)	658,450

	As at 31 December 2004 *(Note 2)* *(Audited)* *HK$'000*	**As at 31 December 2005** *(Note 2)* *(Audited)* *HK$'000*	**As at 31 December 2006** *(Note 3)* *(Audited)* *HK$'000*	**As at 30 September 2007** *(Note 4)* *(Audited)* *HK$'000*
Total assets	78	74	136,229	1,874,731
Total liabilities	—	—	24,375	995,209
Net assets	78	74	111,854	879,522

Note:

(1) The financial figures above are determined on the basis of the Hong Kong GAAP.

(2) Since INPAX did not own any equity interest in Jiangxi Jiangzhou Shipyard for the years ended 31 December 2004 and 2005, the financial information of Jiangxi Jiangzhou Shipyard is not included in the financial information of INPAX Group for the years ended 31 December 2004 and 2005.

(3) In December 2006, INPAX acquired 25% equity interests in Jiangxi Jiangzhou Shipyard and is not in a position to exercise significant influence on Jiangxi Jiangzhou Shipyard. Jiangxi Jiangzhou Shipyard is accounted for as an available-for-sale investment in the financial information of INPAX Group as at 31 December 2006.

(4) In September 2007, INPAX acquired the entire equity interest in Jiangxi Jiangzhou Shipyard and Jiangxi Jiangzhou Shipyard has become a wholly-owned subsidiary of INPAX on 28 September 2007. Jiangxi Jiangzhou Shipyard is accounted for under the purchase method of accounting in the financial information of INPAX Group with effect from 30 September 2007.

Financial information of Jiangxi Jiangzhou Shipyard

The following table sets out a summary of the audited financial results of Jiangxi Jiangzhou Shipyard:

	For the period from 16 June 2005 (the date of business inception) to 31 December 2005	**For the year ended 31 December 2006**	**For the period from 1 January 2007 to 30 September 2007**
	(Audited)	*(Audited)*	*(Audited)*
	RMB '000	*RMB '000*	*RMB '000*
Turnover	—	214,985	490,709
Profit before tax	406,160	9,280	72,715
Profit after tax	406,160	21,510	278,619

	As at 31 December 2005	**As at 31 December 2006**	**As at 30 September 2007**
	(Audited)	*(Audited)*	*(Audited)*
	RMB '000	*RMB '000*	*RMB '000*
Total assets	652,713	1,107,433	1,665,729
Total liabilities	216,553	604,763	860,500
Net assets	436,160	502,670	805,229

Note: The above financial figures are determined on the basis of the Hong Kong GAAP.

The registered capital of Jiangxi Jiangzhou Shipyard amounted to USD12.5 million, has been fully paid up as at the Latest Practicable Date.

Reconciliation statement of the assets of INPAX Group

The property held and occupied by the INPAX Group under long-term title certificates in the PRC has been valued at RMB810,760,000 as at 30 November 2007 by LCH (Asia-Pacific) Sureyors Limited, an independent chartered surveyor. Details are set out in Appendix VI to this circular.

The reconciliation between the valuation figure above with the figure included in the balance sheet at the end of the last period reported on by the reporting accountants, 30 September 2007, is as follows:

	'000
Balance per Note 11 of Appendix II to this circular	
Buildings, developments and structures as at 30 September 2007	HK$569,449
Construction in progress as at 30 September 2007	30,805
	HK$600,254
Translated into Renminbi	RMB579,560
Land use rights valuation	234,910
Depreciation for the period	(3,710)
Valuation as at 30 November 2007 per Appendix VI to this circular	810,760

Note: HK$1.0357=RMB1

MANAGEMENT DISCUSSION AND ANALYSIS OF THE PERFORMANCE OF INPAX AND JIANGXI JIANGZHOU SHIPYARD

Management discussion and analysis of the performance of INPAX

For the period from 1 January 2004 to 30 September 2007

INPAX is capitalized with one class of ordinary shares that has a par value of US$1 each. As at and for the three years ended 31 December 2004, 2005 and 2006 and the period ended 30 September 2007, INPAX has an authorized share capital of US$50,000 consisting 50,000 ordinary shares of US$1 each. The issued share capital of INPAX is 10,000 ordinary shares of US$1 each. INPAX was a dormant company since its incorporation and before its acquisition of 25% equity interest in Jiangxi Jiangzhou Shipyard in December 2006. In September 2007, INPAX acquired the entire equity interest in Jiangxi Jiangzhou Shipyard. Up to the Latest Practicable Date, INPAX has only one subsidiary, namely 江西江州聯合造船有限責任公司 (Jiangxi Jiangzhou Lianhe Shipbuilding Limited Company). Through its subsidiary, INPAX is principally engaged in the (i) production and operation of metal vessel manufacturing, vessel ancillary products and equipment; (ii) reparation of vessels; and (iii) manufacture of cranes and electric appliances.

Management discussion and analysis of the performance of Jiangxi Jiangzhou Shipyard

For the period from 16 June 2005 (the date of business inception) to 31 December 2005

Jiangxi Jiangzhou Shipyard commenced business in the PRC on 16 June 2005 with a registered capital of RMB500,000. The share capital of Jiangxi Jiangzhou Shipyard was increased from RMB500,000 to RMB30 million in November 2005. It was engaged in the business of (i) production and operation of metal vessel manufacturing, vessel ancillary products and equipment; (ii) reparation of vessels; and (iii) manufacture of cranes and electric appliances. In year 2005, it was still at the early stage of its establishment and re-organization, it did not record any turnover but have a net profit of RMB406.16 million due to the excess of Jiangxi Jiangzhou Shipyard's interest in the net fair value of acquiree's identifiable net assets over cost recognised pertaining to business acquired during the re-organization. Its net asset value was RMB436.16 million. Jiangxi Jiangzhou Shipyard had cash and bank balances of approximately RMB19,000 and no loan liabilities. Jiangxi Jiangzhou Shipyard and shipbroker (who is an independent third party to facilitate the contract) entered into a construction contract with a Germany enterprise for the procurement of four 12,000 tons multi-purpose vessels. The first vessel under this contract, the 12,000 tons multi-purpose vessel, was officially launched on 15 February 2007. As at 31 December 2005, Jiangxi Jiangzhou Shipyard did not have significant contingent liabilities and charges on its assets. Jiangxi Jiangzhou Shipyard was operated by its shareholders and their associates. Therefore, it did not employ any staff and as a result no staff costs were recorded in year 2005. During the period under review, there was no other new business, material acquisition and disposals of subsidiaries and associated companies. The core business of the Jiangxi Jiangzhou Shipyard was vessel manufacturing. There was no other material business segment. The gearing ratio for Jiangxi Jiangzhou Shipyard as at 31 December 2005 was zero calculated on the basis of borrowing over shareholders' funds. Jiangxi Jiangzhou Shipyard was not exposed to significant exchange rate fluctuation. As a result, it did not hedge its exposure foreign exchange risk profile. Jiangxi Jiangzhou Shipyard did not have a concrete future plan.

For the year ended 31 December 2006

The paid-up capital of Jiangxi Jiangzhou Shipyard was increased from RMB30 million to RMB75 million during the year 2006. The Jiangxi Jiangzhou Shipyard became a sino-foreign joint venture in December 2006.

In 2006, Jiangxi Jiangzhou Shipyard entered into another construction contract with the German enterprise for procurement of two 12,000 multi-purpose vessels, four 900 TEU container vessels, and entered into a construction contract with another German enterprise for the procurement of eight 16,500 tons chemical product vessels. During the year 2006, It recorded an audited turnover of approximately RMB214.99 million attributable to the completion of contract works and an audited net profit of RMB21.51 million. At 31 December 2006, its net asset value was approximately RMB502.67 million. Jiangxi Jiangzhou had cash and bank balances of approximately RMB22.26 million and no loan liabilities. As at 31 December 2006, Jiangxi Jiangzhou Shipyard did not have significant contingent liabilities and charges on its assets. The total number of employees was of approximately 720. The staff costs for the year ended 31 December 2006 amounted to approximately

RMB 24.72 million. Employees are remunerated according to their performance and work experience. Apart from salary payments, there are other staff benefit including provident fund and medical insurance. The core business of the Jiangxi Jiangzhou Shipyard was vessel manufacturing. There is no other material business segment. During the period under review, there was no other new business, material acquisition and disposals of subsidiaries and associated companies. Gearing ratio for Jiangxi Jiangzhou as at 31 December 2006 was zero calculated on the basis of borrowing over shareholders' funds. The Jiangxi Jiangzhou Shipyard's foreign currency transactions are mainly denominated in United States Dollars and EURO. However, the director consider that the impact of such exposure on the Jiangxi Jiangzhou shipyard was not significant during the year, therefore, Jiangxi Jiangzhou Shipyard did not hedge its exposure foreign exchange risk profile. The Shipyard did not have a concrete future plan.

For the nine months ended 30 September 2007

The paid-up capital of Jiangxi Jiangzhou Shipyard was increased from RMB75 million to approximately RMB98.94 million in September 2007. The Jiangxi Jiangzhou Shipyard became a wholly-owned foreign enterprise in September 2007.

In 2007, Jiangxi Jiangzhou Shipyard further procured construction contracts for nine 16,500 tons chemical product vessels and ten 12,000 tons heavy crane vessels. During the nine months ended 30 September 2007, Jiangxi Jiangzhou Shipyard recorded an audited turnover of approximately RMB490.71 million attributable to the completion of contract works and an audited net profit of RMB278.62 million. At 30 September 2007, its net asset value was approximately RMB805.23 million. Jiangxi Jiangzhou Shipyard had cash and bank balances of approximately RMB145.91 million and bills receivable was approximately RMB0.26 million. Secured bills payable and bank loans were approximately RMB3 million and RMB150 million, respectively. As at 30 September 2007, Jiangxi Jiangzhou Shipyard did not have significant contingent liabilities. Certain of its buildings and machinery with an aggregate net book value of approximately RMB109.85 million have been pledged as collateral for short term bank borrowings. As at 30 September 2007, the Shipyard has unutilized bank facilities of RMB150,000,000 which is secured by guarantee executed from its former shareholder. The total number of employees was of approximately 800. The staff costs for the nine months ended 30 September 2007 is of approximately RMB21.85 million. Employees are remunerated according to their performance and work experience. Apart from salary payments, there are other staff benefit including provident fund and medical insurance. The core business of the Jiangxi Jiangzhou Shipyard is vessel manufacturing. There is no other material business segment. During the period under review, there was no other new business, material acquisition and disposals of subsidiaries and associated companies. Gearing ratio for Jiangxi Jiangzhou Shipyard as at 30 September 2007 was 18.63% calculated on the basis of borrowing over shareholders' funds. The Jiangxi Jiangzhou Shipyard's foreign currency transactions are mainly denominated in United States Dollars and EURO. As at 30 September 2007, Jiangxi Jiangzhou Shipyard does not hedge its exposure foreign exchange risk profile. The directors will consider appropriate hedging measure in future as may be necessary. The future development plan of Jiangxi Jiangzhou Shipyard is set out on page 15 to this circular.

REASONS FOR THE ACQUISITION

The Group is principally engaged in metal trading, sales of communication products and investments in securities for trading.

The Directors consider the diversification of business into new areas of high-growth potential will be in the best interest of the Company and its Shareholders. The Company takes initiative in identifying business opportunities in new emerging industries that will broaden its revenue sources. The Directors are of the view that the business prospect in the Acquisition is promising and the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

At this stage, the Directors have no existing plan to discontinue the Company's existing businesses and expect that these businesses will continue into the foreseeable future. Accordingly, the Directors confirm that there will be no change in principal business of the Company immediately subsequent to completion of the Acquisition.

The Company intends to maintain the employment of the existing management team of Jiangxi Jiangzhou Shipyard after the Acquisition has been consummated, and through sharing the expertise experience with the management of Jiangxi Jiangzhou Shipyard, to provide training in respect of the knowledge of the new business to the existing employees.

The Board currently comprises 6 members including 3 executive Directors and 3 independent non-executive Directors. The Company intends to appoint no more than one new executive Director from the existing management of Jiangxi Jiangzhou Shipyard after the Completion, for the purpose of sharing expertise in respect of the knowledge of the vessel manufacturing business to the existing employees. The Board confirms that the new executive Director to be appointed will not be any one of the Vendor's shareholders. As at the Latest Practicable Date, the Company has not yet determined the person to be appointed as the new Director.

BUSINESS REVIEW OF THE GROUP

During 2007, the Group continues to engage in metals trading and investments in securities. These divisions are the basis on which the Group reports its primary segment information.

Although the global economy continues to thrive in 2007, the Group's metals trading business has remained difficult as the profit margin was still slim. The Group will continue to exercise caution when conducting its metals trading business.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Directors plan to focus on the vessel manufacturing business of the Enlarged Group as the prospects of the vessel manufacturing industry in the PRC is promising. As at the Latest Practicable Date, the total orders of vessels of Jiangxi Jiangzhou Shipyard amounts to approximately RMB7.3 billion. The Directors believe that by acquirement of the Enlarged Group will fulfill such focus envisaged. The objective of the Enlarged Group is to become a leading vessel manufacturing enterprise in the PRC, and to realize its vessel manufacturing capacity of 250,000 tons by 2010. The target annual production of the Enlarged Group is to produce 16 to 18 vessels of 10,000 tons grade.

According to the data provided by China Association of the Shipbuilding Industry, new shipbuilding order, at 64.36 million deadweight tonnage (the "DWT"), gained 120% over that of the same period of 2006; of that, 57.22 million DWT, or 89%, are for export. Held shipbuilding orders rose 111% year-on-year to reach 129.35 million DWT: of that, 113.07 million DWT, or 87% were for export. In recent years, due to higher labour costs, shipbuilding powerhouses Japan and South Korea have shifted their priorities to liquefied natural gas carriers, large container ships, engineering ships and other higher value-added vessels, moving lower value-added ones such as bulk cargo vessels and oil tankers to the PRC. The most conspicuous feature in China's shipbuilding industry in the first half of 2007 was the explosive growth in new shipbuilding orders. The vessel manufacturing industry in the PRC has indicated an increasing trend. The Enlarged Group will capture this favorable opportunity with an aim to maximize the benefit of the shareholders.

Apart from the acquisition of Jiangxi Jiangzhou Shipyard, the Directors have no imminent plan for any material disposal of existing business for the current financial year. However, the Directors believe that the Enlarged Group will continue to reinforce its financial position so that it would be fully prepared to seize suitable investment opportunities when they arise.

FINANCIAL EFFECTS OF THE ACQUISITION

Subject to Completion, the Company will own the entire issued share capital of INPAX. Accordingly, INPAX will become a wholly owned subsidiary of the Company and the post-Acquisition financial results of the INPAX Group will be consolidated to the results of the Group.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, the pro forma net assets of the Enlarged Group following the Acquisition would increase by approximately HK$481.7 million, comprising of an increase of total assets and total liabilities of approximately HK$4,170.4 million and HK$3,688.7 million respectively. The respective unaudited pro forma net loss of the Enlarged Group following the Acquisition would increase by approximately HK$163.0 million.

SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER THE ACQUISITION

	As at the Latest Practicable Date		Immediately after completion of the Acquisition and assuming the Convertible Notes are fully exercised *(Note 1)*	
	Shares	*Approximate %*	*Shares*	*Approximate %*
Vendor	—	—	20,000,000,000	53.77%
Other public Shareholders	17,198,806,126	100.00%	17,198,806,126	46.23%
Total	17,198,806,126	100.00%	37,198,806,126	100.00%

Note:

(1) Given the restriction on the conversion of the Convertible Notes as described in the sub-heading "Conversion" under the section headed "The Convertible Note" above, the scenario of full conversion of the Convertible Notes which results in any holder of the Convertible Notes holding 30% or above of the issued share capital of the Company as at the date of such conversion is provided for illustration purposes only.

WAIVER APPLICATION OF RULE 4.06 OF THE LISTING RULES

Pursuant to Rule 4.06 of the Listing Rules, the Company is required to include in this circular an accountants' report which shall include, inter alia, the results of Inpax Group for the relevant period. For the purpose of Rule 4.06 of the Listing Rules, the term "relevant period" means the three financial years immediately preceding the issue of this circular (or, if less, the period since the incorporation of the relevant members of Inpax Group) or such shorter period as may be acceptable to the Stock Exchange.

Inpax Group is comprised of two companies, namely Inpax as the holding company and Jiangxi Jiangzhou Shipyard as the direct wholly owned subsidiary of Inpax. Inpax and Jiangxi Jiangzhou Shipyard were incorporated on 8 February 2000 and 16 June 2005, respectively.

As this circular is to be despatched on or before 6 February 2008 and the financial year period of Inpax Group is ended as at 31 December, the relevant period applicable to Inpax and Jiangxi Jiangzhou Shipyard shall be the period from their respective incorporation date (if the case may be) up to 31 December 2007 or such shorter period as may be acceptable to the Stock Exchange.

At the time of engaging the Company's reporting accountants to prepare the accountants' report pursuant to Rule 4.06 of the Listing Rules, the latest financial information of Inpax Group available to the Company was only up to 30 September 2007 and this circular was initially aimed for being despatched by the end of 2007. On that bases, the Company's reporting accountants have well prepared a complete set of the financial information of Inpax Group as set out in Appendix II and the financial information of Jiangxi Jiangzhou Shipyard as set out in Appendix III to this circular. As additional time is required, among other things, to prepare and finalize (i) the indebtedness statement of the Group as enlarged by the Acquisition; (ii) the financial information relating to INPAX and Jianxi Jianzhou Shipyard; (iii) the pro forma financial information of the Group as enlarged by the Acquisition; and (iv) the valuation report on the INPAX Group and the lands and buildings of the Group as enlarged by the Acquisition to be included in this circular, the Company has ineluctably applied to the Stock Exchange for extension of the deadline for despatch of the circular to the a date falling on or before 6 February 2008.

In view of the foregoing, Appendix II and Appendix III to this circular are not in strict compliance with Rule 4.06 of the Listing Rules in which they only covers the relevant period of up to 30 September 2007 (as opposed to 31 December 2007). In order to strictly comply with Rule 4.06 of the Listing Rules, the Vendor will be required to repeat the procedure to collate and finalise its management financial information for additional 3 months' period up to 31 December 2007 while additional auditing procedures, extra cost of audit work and further extension of time will be required by the Company's reporting accountants on such additional financial information which have been confirmed by the Directors that, up to the date of this circular, there has been no material adverse changein the financial position or prospects of Inpax Group since 30 September 2007 and there is no event since 30 September 2007 which would materially adversely affect the information shown in the financial information of Inpax Group as set out in Appendix II and the financial information of Jiangxi Jiangzhou Shipyard as set out in Appendix III to this circular.

The Company considers that it will be unduly burdensome for the accountants' report to cover the relevant period up to 31 December 2007 since additional audit work and in particular, more time will be required on the additional financial information but there will not be sufficient time for Inpax Group and the Company's reporting accountants to produce the accountants' report on Inpax Group up to 31 December 2007 before the 6 February 2008, being the proposed extended deadline for despatch of this circular.

The Directors anticipate that in order to strictly comply with Rule 4.06 of the Listing Rules, the despatch of the Circular to the Shareholders will be substantially delayed for about two months and the possibility of further extending the long stop date for fulfilment of the conditions contemplated under the Acquisition Agreement will be subject to the willingness of the Vendor. In that case, the Shareholders will not be timely informed of the details of the transaction in connection with the Acquisition and/or potentially lose the investment opportunity in the case that the Vendor is unwilling or does not agree with the matter that the long stop date for completion of the Acquisition shall be further extended.

In the circumstances, the Directors are of the view that it will not be commercially justifiable or in the best interest of the Company and its Shareholders as a whole to further delay the despatch of this circular and the long stop date for the Acquisition Agreement pending only for the preparation of the additional financial information of Inpax Group by the Vendor and extra audit work of the same by the Company's reporting accountants for inclusion in this circular in strict compliance with Rule 4.06 of the Listing Rules, in which additional financial information for the period up to 31 December 2007 does not provide any significant value for the Shareholders in deciding whether or not to approve the Acquisition at the SGM.

For reasons mentioned above, the Company has applied to the Stock Exchange and the Stock Exchange has granted to the Company for a waiver from the strict compliance with the requirements under Rule 4.06 of the Listing Rules on the following basis:

(1) this circular shall be despatched to the Shareholders on or before 6 February 2008 and the SGM shall be held on or before 22 February 2008; and

(2) the Directors confirm that they have performed sufficient due diligence on Inpax Group to ensure that, up to the date of this circular, there has been no material adverse change in the financial position or prospects of Inpax Group since 30 September 2007 and there is no event since 30 September 2007 which would materially adversely affect the information shown in the financial information of Inpax Group as set out in Appendix II and the financial information of Jiangxi Jiangzhou Shipyard as set out in Appendix III to this circular.

IMPLICATIONS FROM THE LISTING RULES

The Acquisition constitutes a very substantial acquisition in respect of the Company under the Listing Rules. The Acquisition and the issue of the Convertible Notes are subject to the Shareholders' approval at the SGM. The Company will, in compliance with the Listing Rules, convene the SGM to seek the approval of the Shareholders on the Acquisition and the issue of the Convertible Notes. An application will be made to the Listing Committee of the Stock Exchange for the listing of, permission to deal in the Conversion Shares. To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, no Shareholders have any interest in the Acquisition issue of the Convertible Notes which is different from the interest of the other Shareholders and therefore no Shareholder is required to abstain from voting for the approval of the Acquisition at the SGM.

So far as is known to the Directors, as at the Latest Practicable Date, there was (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholders, whereby he/she/it has or may have temporarily or permanently passed control over the exercise of the voting rights in respect of his/her/its Shares to a third party, either generally or on a case-by-case basis.

So far as is known to the Directors, as at the Latest Practicable Date, there was no discrepancy between any Shareholder's beneficial shareholding interest in the Company as disclosed in this circular and the number of Shares in respect of which it will control or will be entitled to exercise control over the voting rights at the SGM.

SGM

Set out on pages 186 to 187 is a notice convening the SGM to be held at 10:00 a.m. on 22 February, 2008 at Macau Jockey Club, Function Room, 1/F., China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong at which ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, approve the Acquisition and the issue of the Convertible Notes.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend and/or vote at the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 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 the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors are of the opinion that the terms of the Acquisition including the issue of the Convertible Notes 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 favor of the ordinary resolution to be proposed at the SGM to approve the Acquisition.

ADDITIONAL INFORMATION

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

By Order of the Board
Wonson International Holdings Limited
Chau On Ta Yuen
Chairman

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following are the audited consolidated financial statements of the Group for each of the three financial years ended 31 December 2006 as extracted from the 2005 and 2006 annual reports of the Company and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2007 as extracted from the 2007 interim report of the Company. The Company's auditors, have not issued any qualified opinion or modified opinion on the Group's financial statements for the three years ended 31 December 2006.

Consolidated Income Statement

	(Unaudited) For the six months ended 30 June 2007	**(Audited) For the year ended 31 December 2006**	**(Audited) For the year ended 31 December 2005**	**(Audited) For the year ended 31 December 2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(restated)
Revenue	3,905	8,354	10,612	4,347
Cost of sales	(3,396)	(5,385)	(9,534)	(3,977)
	509	2,969	1,078	370
Other income	1,269	2,778	1,367	580
Net gain on disposal of investments held for trading	7,914	—	—	—
Administrative expenses	(6,732)	(21,229)	(36,092)	(19,388)
Fair value changes on investments held for trading	20,652	(21,184)	(16,500)	2,694
Impairment loss on available-for-sale investment	—	(13,489)	—	—
Impairment loss on loan to an investee company	—	(18,569)	—	—
Gain on disposal of subsidiaries	—	6,998	—	2,909
Gain on disposal of interest in associates	—	—	—	12,254
Share of results of associates	—	—	—	1,027
Share of losses of jointly controlled entities	—	(57)	(221)	(282)
Finance costs	(1,411)	(6)	(1,338)	(2,942)
Profit (Loss) before tax	22,201	(61,789)	(51,706)	(2,778)
Income tax expense	—	—	—	—
Earnings (Loss) for the period	22,201	(61,789)	(51,706)	(2,778)
Earnings (Loss) per share - basic	HK$0.32 cents	(HK$11.62) cents	(HK$17.72) cents	(HK$1.36) cents
Earnings (Loss) per share - diluted	HK$0.26 cents	N/A	N/A	N/A

Consolidated Balance Sheet

	(Unaudited) As at 30 June 2007 HK$'000	(Audited) As at 31 December 2006 HK$'000	(Audited) As at 31 December 2005 HK$'000	(Audited) As at 31 December 2004 HK$'000 (restated)
Non-current assets				
Property, plant and equipment	636	148	184	501
Available-for-sale investment	—	—	13,489	—
Loan to an investee company	—	—	17,234	—
Interest in an associate	—	—	—	—
Interests in jointly controlled entities	—	—	6,010	6,231
	636	148	36,917	6,732
Current assets				
Inventories	1,133	846	1,691	1,940
Other receivables	32,744	997	2,164	1,510
Loan receivables	36,894	—	—	—
Investments in securities	—	—	—	22,616
Investments held for trading	190,563	136,432	86,658	—
Pledged bank deposit	300	—	—	—
Bank balances and cash	148,180	10,200	84,061	10,116
	409,814	148,475	174,574	36,182
Current liabilities				
Other payables	306	2,960	4,034	3,702
Net current assets	409,508	145,515	170,540	32,480
	410,144	145,663	207,457	39,212
Non-current liability				
Convertible Notes	137,918	—	—	—
	272,226	145,663	207,457	39,212
Capital and reserves				
Share capital	11,316	5,316	26,582	68,374
Reserves	260,910	140,347	180,875	(29,162)
	272,226	145,663	207,457	39,212

2. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2006

The following are the audited consolidated accounts of the Group for the two years ended 31 December 2006 as extracted from the 2006 annual report of the Company.

Consolidated Income Statement
For the year ended 31 December 2006

	NOTES	**2006**	**2005**
		HK$'000	*HK$'000*
Revenue	5	8,354	10,612
Cost of sales		(5,385)	(9,534)
		2,969	1,078
Other income	6	2,778	1,367
Administrative expenses	7	(21,229)	(36,092)
Fair value changes on investments held for trading		(21,184)	(16,500)
Impairment loss on available-for-sale investment	15	(13,489)	—
Impairment loss on loan to an investee company	16	(18,569)	—
Gain on disposal of subsidiaries	26	6,998	—
Share of losses of jointly controlled entities		(57)	(221)
Finance costs	8	(6)	(1,338)
Loss before tax		(61,789)	(51,706)
Income tax expense	9	—	—
Loss for the year	10	(61,789)	(51,706)
Loss per share — basic	13	(HK$11.62) cents	(HK$17.72) cents

Consolidated Balance Sheet
At 31 December 2006

	NOTES	**2006** *HK$'000*	**2005** *HK$'000*
Non-current assets			
Property, plant and equipment	14	148	184
Available-for-sale investment	15	—	13,489
Loan to an investee company	16	—	17,234
Interest in an associate	17	—	—
Interests in jointly controlled entities	18	—	6,010
		148	36,917
Current assets			
Inventories		846	1,691
Other receivables		997	2,164
Investments held for trading	19	136,432	86,658
Bank balances and cash	20	10,200	84,061
		148,475	174,574
Current liabilities			
Other payables		2,960	4,034
Net current assets		145,515	170,540
		145,663	207,457
Capital and reserves			
Share capital	21	5,316	26,582
Reserves		140,347	180,875
		145,663	207,457

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Share capital	Share premium	Contributed surplus	Translation reserve	Capital reserve	Share option reserve	Convertible note reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005	68,374	135,369	422,882	5	802	—	2,963	(591,183)	39,212
Loss for the year and total recognised loss for the year	—	—	—	—	—	—	—	(51,706)	(51,706)
Recognition of expenses in relation to equity-settled share based payments	—	—	—	—	—	13,441	—	—	13,441
Issue of new shares	14,561	65,408	—	—	—	—	—	—	79,969
Issued upon exercise of share options	6,560	31,809	—	—	—	(13,441)	—	—	24,928
Expenses incurred in connection with issue of new shares	—	(2,058)	—	—	—	—	—	—	(2,058)
Reduction of nominal amount in connection with consolidated shares	(84,179)	—	84,179	—	—	—	—	—	—
Rights issue of shares	21,266	85,063	—	—	—	—	—	—	106,329
Expenses incurred in connection with rights issue of shares	—	(2,658)	—	—	—	—	—	—	(2,658)
At 31 December 2005	26,582	312,933	507,061	5	802	—	2,963	(642,889)	207,457
Loss for the year	—	—	—	—	—	—	—	(61,789)	(61,789)
Realised upon disposal of subsidiary	—	—	—	(5)	—	—	—	—	(5)
Total recognised loss for the year	—	—	—	(5)	—	—	—	(61,789)	(61,794)
Reduction of nominal amount in connection with consolidated shares	(21,266)	—	21,266	—	—	—	—	—	—
Transfer to accumulated losses from convertible note reserve	—	—	—	—	—	—	(2,963)	2,963	—
At 31 December 2006	5,316	312,933	528,327	—	802	—	—	(701,715)	145,663

Consolidated Cash Flow Statement
For the year ended 31 December 2006

	NOTES	**2006** *HK$'000*	**2005** *HK$'000*
OPERATING ACTIVITIES			
Loss for the year		(61,789)	(51,706)
Adjustments for:			
Depreciation		47	342
Fair value changes on investments held for trading		21,184	16,500
Interest income		(2,778)	(1,217)
Finance costs		6	1,338
Gain on disposal of property, plant and equipment		—	(150)
Expense recognised in respect of share option granted		—	13,441
Impairment loss on available-for-sale investment		13,489	—
Impairment loss on loan to an investee company		18,569	—
Gain on disposal of subsidiaries		(6,998)	—
Share of losses of jointly controlled entities		57	221
Operating cash flows before movements in working capital		(18,213)	(21,231)
Decrease in inventories		845	249
Decrease (increase) in other receivables		1,167	(654)
Increase in investments held for trading		(70,958)	(80,542)
(Decrease) increase in other payables		(280)	332
Cash used in operations		(87,439)	(101,846)
Interest received		1,443	494
Interest paid		(6)	(88)
NET CASH USED IN OPERATING ACTIVITIES		(86,002)	(101,440)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(11)	(25)
Proceeds from disposal of property, plant and equipment		—	150
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of)	26	—	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(11)	125

	2006	2005
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Loan to an investee company	—	(30,000)
Redemption of convertible notes	—	(50,000)
Proceeds from issue of convertible notes	—	50,000
Costs in connection with issue of convertible notes	—	(1,250)
Proceeds from issue of new shares	—	79,969
Proceeds from exercise of share options	—	24,928
Proceeds from rights issue of shares	—	106,329
Expenses in connection with issue of new shares	—	(2,058)
Expenses in connection with rights issue of shares	—	(2,658)
Advance from jointly controlled entities	12,152	—
NET CASH FROM FINANCING ACTIVITIES	12,152	175,260
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(73,861)	73,945
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	84,061	10,116
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10,200	84,061
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	10,200	84,061

Notes to the Financial Statements

For the year ended 31 December 2006

1. GENERAL

The Company is 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 addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries and associate are set out in notes 30 and 31 respectively.

These consolidated financial statements are presented in Hong Kong Dollar, which is the same as the functional currency of the Group.

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

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results and the financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) - INT 7	Applying the Restatement Approach under HKAS 29
	Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) - INT 8	Scope of HKFRS 2[4]
HK(IFRIC) - INT 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC) - INT 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC) - INT 11	HKFRS 2: Group and Treasury Share Transactions[7]
HK(IFRIC) - INT 12	Service Concession Arrangements[8]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 March 2006.
[4] Effective for annual periods beginning on or after 1 May 2006.

[5] Effective for annual periods beginning on or after 1 June 2006.
[6] Effective for annual periods beginning on or after 1 November 2006.
[7] Effective for annual periods beginning on or after 1 March 2007.
[8] Effective for annual periods beginning on or after 1 January 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

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

Basis of consolidation

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

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

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, 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.

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which ventures have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, 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 jointly controlled entity.

When a group entity transactions with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entities, except to the extent that unrealised losses provide evidence for an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Revenue

Revenue represents income from trading of goods and dividends arising from investments held for trading. Dividend income which was classified as other income in 2005 has been reclassified to conform with current year presentation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents dividend income from investments and amounts receivable for goods provided in the normal course of business.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to 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.

Dividend income from investments is recognised when the Group's rights to receive dividend payment have been established.

Property, plant and equipment

Property, plant and equipment 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 over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold improvements	10% - 20%
Furniture, fixtures and equipment	10% - 20%
Motor vehicles	12.5% - 25%

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

Financial instruments

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

Financial assets

The Group's financial assets are mainly classified into financial assets held for trading, 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 adopted in respect of each category of financial assets are set out below.

Financial assets held for trading

At each balance sheet date subsequent to initial recognition, financial assets held for trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, receivables (including other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. 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 effective interest rate on initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction 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.

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, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

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 accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including other payables are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes

Convertible loan notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible note reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible note reserve until the embedded option is exercised (in which case the balance stated in convertible note reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible note reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. 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.

Equity instruments

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

Taxation

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

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

Inventories

Inventories, which represent merchandise held for resale, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

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.

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme, which is a retirement contribution scheme, are charged as an expense when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

For share options granted to employees, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The effect of the change in estimate, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

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

4. FINANCIAL INSTRUMENTS

a. **Financial risk management objectives and policies**

The risks associated with the financial instruments of the Group 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

Price risk

The Group is exposed to equity security price risk through its held for trading investments. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The Group reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate impairment losses, if necessary, are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

b. **Fair value of financial instruments**

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into three operating divisions - metals trading, sales of communication products and investments in securities. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Metals trading - Trading of metals products.

Sales of communication products - Trading of communication products. During the year, this division did not make any contribution to the results of the Group for the year.

Investments in securities - Investment in securities held for trading to generate dividends and capital appreciation.

Segment information about these businesses is presented below:

Income statement

	2006		
	Metals trading	**Investments in securities**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	5,880	2,474	8,354
Segment result	409	(20,450)	(20,041)
Interest income	—	—	2,778
Unallocated corporate expenses	—	—	(19,403)
			(36,666)
Impairment loss on available-for-sale investment	—	—	(13,489)
Impairment loss on loan to an investee company	—	—	(18,569)
Gain on disposal of subsidiaries	—	—	6,998
Share of losses of jointly controlled entities	—	—	(57)
Finance costs	—	—	(6)
Loss for the year			(61,789)

	2005			
	Metals trading	Sales of communication products	Investments in securities	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	9,764	5	843	10,612
Segment result	65	1	(16,014)	(15,948)
Interest income	—	—	—	1,217
Unallocated corporate income	—	—	—	150
Unallocated corporate expenses	—	—	—	(35,566)
				(50,147)
Share of losses of jointly controlled entities	—	(221)	—	(221)
Finance costs	—	—	—	(1,338)
Loss for the year				(51,706)

Balance sheet

	2006		2005	
	Segment assets	Segment liabilities	Segment assets	Segment liabilities
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Metals trading	11,917	2,960	87,050	4,034
Investments in securities	136,706	—	87,708	—
Interests in jointly controlled entities	—	—	6,010	—
Other corporate assets	—	—	30,723	—
	148,623	2,960	211,491	4,034

Other information

	2006	2005
	HK$'000	*HK$'000*
Capital additions		
Metals trading	11	25
Depreciation		
Metals trading	47	342
Gain on disposal of property, plant and equipment		
Metals trading	—	150

(b) **Geographical segments**

No geographical segment information is presented as the Group operates in Hong Kong only.

6. OTHER INCOME

	2006	2005
	HK$'000	*HK$'000*
Interest on bank deposits	1,443	494
Interest on loan to an investee company	1,335	723
Gain on disposal of property, plant and equipment	—	150
	2,778	1,367

7. ADMINISTRATIVE EXPENSES

An amount of HK$13,441,000, representing the estimated fair value of share options granted in February 2005 under the Share Option Scheme of the Company, was charged to the last year's consolidated income statement with a corresponding credit to the equity.

8. FINANCE COSTS

Included in finance costs is interest on convertible note payable of HK$Nil (2005: HK$1,338,000).

9. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made since the Group had no assessable profits for both years.

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

	2006	2005
	HK$'000	*HK$'000*
Loss before tax	(61,789)	(51,706)
Tax credit at the domestic income tax rate of 17.5%	10,813	9,049
Tax effect of share of results of jointly controlled entities	(10)	(39)
Tax effect of expenses not deductible for tax purpose	(9,707)	(6,409)
Tax effect of income not taxable for tax purpose	2,223	360
Tax effect of tax losses not recognised	(3,319)	(2,961)
Taxation for the year	—	—

10. LOSS FOR THE YEAR

	2006	2005
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Auditors' remuneration	945	850
Depreciation	47	342
Directors' emoluments	6,812	6,477
Contributions to retirement benefits scheme	145	146
Other staff costs	5,093	18,560
Total staff costs	12,050	25,183
Cost of inventories recognised	5,385	9,534
Minimum lease payments under operating leases in respect of rented premises	2,776	1,529

11. DIRECTORS' EMOLUMENTS

	2006					2005				
	Fees	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Total	Fees	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive:										
Mr. Chiu Kong	—	1,811	100	12	1,923	—	1,696	100	12	1,808
Mr. Hui Richard Rui	—	1,073	150	12	1,235	—	1,072	150	12	1,234
Mr. Tsui Ching Hung	—	1,017	100	12	1,129	—	1,017	100	12	1,129
Ms. Cheung Sze Man	—	108	—	2	110	—	—	—	—	—
Mr. Chung Nai Ting	—	780	150	12	942	—	780	100	12	892
Mr. Tse Lanny Cheuk Ming	—	728	300	12	1,040	—	702	250	12	964
Independent non-executive:										
Mr. Miu Frank H.	150	—	—	—	150	150	—	—	—	150
Mr. Sin Chi Fa	8	—	—	—	8	—	—	—	—	—
Mr. Tong Wui Tung	125	—	—	—	125	150	—	—	—	150
Mr. Chan Sze Hung	150	—	—	—	150	150	—	—	—	150
	433	5,517	800	62	6,812	450	5,267	700	60	6,477

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2005: four) were directors of the Company whose emoluments are included in note 11 above. The emoluments of the remaining highest paid individual (2005: one) were as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other benefits	980	954
Retirement benefit scheme contributions	12	12
	992	966

No emoluments were paid by the Group to the directors and the remaining highest paid employee as an inducement to join or upon joining the Group or as compensation for loss of office and no director waived any emoluments.

13. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year of approximately HK$61,789,000 (2005: HK$51,706,000) and on the weighted average number of 531,645,319 (2005: 291,743,468) ordinary shares in issue after adjusting for the effect of share consolidation which became effective on 6 March 2006 as disclosed in note 21.

No diluted loss per share was presented in 2006 as there were no dilutive potential ordinary shares in existence for the year.

No diluted loss per share had been presented in 2005 as the effect of the potential ordinary shares outstanding in respect of the convertible note payable was anti-dilutive.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1 January 2005	428	760	2,462	3,650
Additions	—	25	—	25
Disposal	—	—	(395)	(395)
At 31 December 2005	428	785	2,067	3,280
Additions	—	11	—	11
At 31 December 2006	428	796	2,067	3,291
DEPRECIATION				
At 1 January 2005	363	711	2,075	3,149
Provided for the year	17	36	289	342
Eliminated on disposal	—	—	(395)	(395)
At 31 December 2005	380	747	1,969	3,096
Provided for the year	10	9	28	47
At 31 December 2006	390	756	1,997	3,143
NET BOOK VALUES				
At 31 December 2006	38	40	70	148
At 31 December 2005	48	38	98	184

15. AVAILABLE-FOR-SALE INVESTMENT

	2006	2005
	HK$'000	*HK$'000*
Unlisted investment, at cost	13,489	13,489
Less: Impairment loss recognised	(13,489)	—
	—	13,489

The unlisted investment represents approximately a 5.94% interest in the issued share capital of Found Macau Investments International Limited ("Found Macau"), an investment holding company incorporated in the British Virgin Islands. Found Macau was formed to invest in gaming, entertainment and related business in Macau through its subsidiaries. Included in the investment cost is the fair value adjustment of HK$13,489,000 arising from an interest free loan advanced to Found Macau which was considered as deemed capital contribution (see note 16).

In view of the recurring operating losses incurred by Found Macau, the directors of the Company reviewed the carrying amount of the unlisted investment based on the expected recoverable amount as at 31 December 2006. Accordingly, an impairment loss of HK$13,489,000 was identified and charged to the consolidated income statement.

16. LOAN TO AN INVESTEE COMPANY

The loan represents advance made to Found Macau on 8 June 2005. The loan is unsecured, interest free and repayable on demand at the face value of HK$30,000,000 after 8 years from the date of draw down. The loan was measured at fair value at initial recognition and is subsequently carried at amortised cost using the effective interest method. The effective interest rate of the loan is 7.75%.

As mentioned in note 15, the directors of the Company reviewed the carrying amount of the loan based on the expected recoverable amount as at 31 December 2006. Accordingly, an impairment loss of HK$18,569,000 was identified and charged to the consolidated income statement.

17. INTEREST IN AN ASSOCIATE

	2006	**2005**
	HK$'000	*HK$'000*
Cost of unlisted investment in an associate	—	—
Loan to an associate	54,050	54,050
Less: Impairment loss recognised	(54,050)	(54,050)
	—	—

The Group does not recognise its share of loss of the associate. Details of the Group's associate at 31 December 2006 are set out in note 31.

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2006	**2005**
	HK$'000	*HK$'000*
Cost of unlisted investments in jointly controlled entities	—	20,000
Share of post-acquisition reserves	—	(3,990)
Less: Impairment loss recognised	—	(10,000)
Share of net assets	—	6,010

On 30 June 2006, the Group disposed of a subsidiary, Winford Investments Limited, which holds 50% equity interest in the jointly controlled entities of the Group. The principal activities of the jointly controlled entities are investment holding and trading of communication products. Details of the disposal are set out in note 26.

The summarised financial information attributable to the Group in respect of its jointly controlled entities which are accounted for using the equity method up to the date of disposal is set out below:

	2006	2005
	HK$'000	*HK$'000*
Current assets	9,342	9,458
Non-current assets	11	31
Current liabilities	3,400	3,479
Income	—	88
Expenses	57	309

19. INVESTMENTS HELD FOR TRADING

	2006	2005
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong	49,423	86,658
Equity securities listed elsewhere	87,009	—
	136,432	86,658

20. BANK BALANCES AND CASH

Bank balances and cash comprise cash and demand deposits held by the Group with maturity of three months or less. Bank balances carry interest at an average market rate of 1.85% per annum.

21. SHARE CAPITAL

	Number of shares		Share capital	
	2006	**2005**	**2006**	**2005**
			HK$'000	*HK$'000*
Ordinary shares of HK$0.01 each				
Authorised:				
At the beginning of the year	25,000,000,000	50,000,000,000	250,000	500,000
Decrease on 11 July 2005	—	(47,500,000,000)	—	(475,000)
Increase on 15 November 2005	—	22,500,000,000	—	225,000
At the end of the year	25,000,000,000	25,000,000,000	250,000	250,000
Issued and fully paid:				
At the beginning of the year	2,658,226,595	6,837,422,389	26,582	68,374
Issue of new shares announced				
- on 10 January 2005 *(note (a))*	—	1,367,484,000	—	13,675
- on 24 August 2005 *(note (a))*	—	88,600,000	—	886
Issued upon exercise of share options *(note (b))*	—	656,000,000	—	6,560
Share consolidation *(note (c)&(d))*	(2,126,581,276)	(8,417,861,070)	(21,266)	(84,179)
Rights issue of shares *(note (e))*	—	2,126,581,276	—	21,266
At the end of the year	531,645,319	2,658,226,595	5,316	26,582

Notes:

(a) On 10 January 2005, the Company entered into an agreement with a placing agent for placement of 1,367,484,000 new shares to independent investors at a price of HK$0.052 per new share on a fully underwritten basis. The net proceeds amounted to approximately HK$69,000,000. About HK$30,000,000 was used for investing in and loan to Found Macau and about HK$39,000,000 was used for general working capital of the Group.

On 24 August 2005, the Company entered into an agreement with a placing agent for placement of 88,600,000 new shares to independent investors at a price of HK$0.1 per new share on a fully underwritten basis. The net proceeds amounting to HKD8,500,000 was used for general working capital of the Group.

(b) On 1 February 2005, the Company granted share options to employees to subscribe for 656,000,000 ordinary shares of the Company of HK$0.01 each at the subscription price of HK$0.038 per share (closing price per share on 31 January 2005 was HK$0.037) under the share option scheme adopted on 27 May 2002. Share options granted may be exercised any time from the date of grant to the day preceding the first anniversary of the date of grant. On 2 February 2005, the share options were exercised in full at the subscription price of HK$0.038 per share (closing price per share on 1 February 2005 was HK$0.034).

(c) Pursuant to a special resolution passed at the special general meeting on 3 March 2006:

(i) every five shares of HK0.01 each in the issued ordinary share capital of the Company be and are hereby consolidated into one consolidated share of HK$0.05 ("Consolidated Share A"); and

(ii) every issued Consolidated Share A of the Company be and is hereby reduced in nominal amount by cancelling HK$0.04 of the capital paid up on each issued Consolidated Share A from HK$0.05 to HK0.01 each so as to form one share of HK$0.01 each.

(d) Pursuant to a special resolution passed at the special general meeting on 8 July 2005:

(i) every twenty shares of HK$0.01 each in the issued and unissued ordinary share capital of the Company be and are hereby consolidated into one consolidated share of HK$0.20 ("Consolidated Share B"); and

(ii) every issued and unissued Consolidated Share B of the Company be and is hereby reduced in nominal amount by cancelling HK$0.19 of the capital paid up on each issued Consolidated Share B and by reducing the nominal amount of each authorised but unissued Consolidated Share B, from HK$0.20 to HK$0.01 each so as to form one share of HK$0.01 each.

(e) On 15 November 2005, the Company approved issue of 2,126,581,276 shares of HK$0.01 each by way of rights to holders of shares in the Company at HK$0.05 per share ("Rights Share") in the proportion of four Rights Shares for every existing share held by holders of shares. On 6 December 2005, 2,126,581,276 Rights Shares were allotted.

22. CONVERTIBLE NOTE PAYABLE

	2006	**2005**
	HK$'000	*HK$'000*
Convertible note payable		
Balance at the beginning of the year	—	—
Issued during the year	—	50,000
Redeemed during the year	—	(50,000)
Balance at the end of the year	—	—
Issue costs		
Balance at the beginning of the year	—	—
Incurred during the year	—	1,250
Amortised during the year	—	(1,250)
Balance at the end of the year	—	—
Carrying value at the end of the year	—	—

On 5 January 2005, the Company and a placing agent entered into an agreement for the placement of convertible notes issued by the Company up to an aggregate principal amount of HK$50,000,000 (the "2005 Convertible Note"). The 2005 Convertible Note was unsecured and carried interest at 3% per annum on the principal amount of the Convertible Notes outstanding, payable upon maturity which was one year from the date of issue of the 2005 Convertible Note (the "Maturity Date").

The 2005 Convertible Note might be converted into ordinary shares of the Company at a conversion price of HK$0.25 per share from the date of issue of the 2005 Convertible Notes to the Maturity Date. The Company, at any time before the Maturity Date, had the option to redeem the 2005 Convertible Note in whole or in part at par value. All the 2005 Convertible Note had been redeemed in March 2005.

23. SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option scheme (the "Scheme") which was adopted on 27 May 2002 to replace the old scheme adopted in 1998. The Scheme is valid and effective for a period of ten years from the date of adoption.

Pursuant to the Scheme, the Company may grant options to employees (including existing and proposed directors), adviser, consultant, agent, contractor, client and supplier of any members of the Group (collectively the "Participants"). The purpose of the Scheme is to recognise and motivate the contribution of Participants and to provide incentives and help the company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company. The total number of shares available for issue under the Scheme is 277,422 which represents approximately 0.05% of the issued share capital of the Company as at 31 December 2006. No participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in twelve month period up to and including the date of grant to such Participant would exceed 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates abstaining from voting. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the board of the directors of the Company (the "Board") may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised. The subscription price of the option shall be determined by the Board but in any case shall not be less than the higher of (i) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant which must be a trading day, (ii) the average closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of grant; or (iii) the nominal value of a Share. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

There are no share option granted by the Company and no share option outstanding during the year.

Movements of the Company's share options in 2005 are as follows:

Option type	Date of grant	Exercisable period	Exercise price	Exercise date
2005	1.2.2005	1.2.2005 - 31.1.2006	HK$0.038	2.2.2005

Option type	Outstanding at 1.1.2005	Granted during 2005	Exercised during 2005	Outstanding at 31.12.2005 and 31.12.2006
2005	—	656,000,000	(656,000,000)	—
Weighted average exercise price	—	HK$0.038	HK$0.038	—

The above options were granted on 1 February 2005. The estimated fair value of the option granted on that date is approximately HK$0.02.

The fair value was calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2005
Share price at date of grant	HK$0.034
Exercise price	HK$0.038
Expected volatility	175%
Expected life	1 year
Risk-free rate	2.75%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 266 days. 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 behavioural considerations. The Group recognised the total expense of HK$13,441,000 for the year ended 31 December 2005 in relation to share options granted by the Company.

24. RESERVES

The capital reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital and share premium of the companies now forming the Group pursuant to the group reorganisation prior to the listing of the Company's shares in 1998.

Included in the Group's reserves are the following amounts attributable to the Group's jointly controlled entities:

	2006	2005
	HK$'000	*HK$'000*
Jointly controlled entities		
- translation reserve	—	5
- accumulated losses	—	(3,995)
	—	(3,990)

25. DEFERRED TAXATION

During the year, the Group disposed of its interest in certain subsidiaries with unused tax losses brought forward of approximately HK$143,335,000 (2005: HK$ Nil).

At the balance sheet date, the Group had unused tax losses of approximately HK$19,108,000 (2005: HK$143,475,000) available to offset against future profits. No deferred taxation asset has been recognised due to unpredictability of future profits streams.

26. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of two subsidiaries, namely Winford Investment Limited ("Winford") and Truewell Asia Limited ("Truewell"), to independent third parties at considerations of USD1 on 30 June 2006 and USD2 on 30 December 2006, respectively. Winford holds 50% equity interest in the jointly controlled entities of the Group whereas Truewell acts as an investment holding company.

The effect of the disposal is summarised as follows:

	HK$'000
Net liabilities disposed of:	
Interests in jointly controlled entities	5,953
Amounts due to jointly controlled entities	(12,152)
Other payables	(794)
	(6,993)
Translation reserve attributable to the Group and released upon disposal	(5)
	(6,998)
Gain on disposal of subsidiaries	6,998
Cash consideration	—

The subsidiaries disposed of did not make any significant contribution to the results or cash flows of the Group for the year.

27. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The retirement benefit cost charged to the income statement represents contributions payable to the scheme by the Group at rate specified in the rules of the scheme.

28. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments payable under non-cancellable operating leases which fall due as follows:

	2006	**2005**
	HK$'000	*HK$'000*
In respect of rented premises:		
Within one year	1,166	2,011
In the second to fifth year inclusive	1,015	3,423
	2,181	5,434

Leases are negotiated for an average term of two to three years.

29. POST BALANCE SHEET EVENTS

Subsequent to 31 December 2006, the Company entered into the following agreements:

(i) **The Underwriting and the Placing**

On 15 March 2007, the Company entered into an Underwriting Agreement with a placing agent for placement of 100,000,000 new shares on a fully-underwritten basis at the price of HK$0.16 per share to independent third parties (the "Underwriting Placing"). As at the date of this report, the Underwriting Placing has been completed.

On 15 March 2007, the Company also entered into a Placing Agreement with a placing agent for placement of up to a maximum of 500,000,000 new shares on a best-efforts basis at the price of HK$0.16 per share to independent third parties.

(ii) **The Convertible Notes Placing Agreement**

The Company entered into a Convertible Notes Placing Agreement with a placing agent on 15 March 2007 for the placement of convertible notes with principal amount of not more than HK$150,000,000 to independent third parties upon the terms and conditions of the Convertible Notes Placing Agreement on a best-efforts basis. The convertible notes to be issued will carry a coupon of 4% per annum. The initial conversion price of the convertible notes is HK$0.17 per share (subject to adjustment). Maturity date of the convertible notes shall be two years from the date of issue.

The above (except for the Underwriting Agreement) is subject to the approval by the shareholders at the special general meeting in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

30. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued share capital	Proportion of nominal value of issued share capital held by the Company Directly %	Indirectly %	Principal activities
Able King Investment Limited	British Virgin Islands*	1 ordinary share of US$1 each	100%	—	Investment holding
Acewell Investments Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100%	Investment holding
Ample Asset Investment Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100%	Investment holding
Global Empire Group Inc.	British Virgin Islands*	1 ordinary share of US$1 each	—	100%	Investment holding
Gold Castle Investments Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100%	Investment holding
Giant Wave Limited	Hong Kong	1 ordinary share of HK$1 each	—	100%	Securities investment
King Force International Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100%	Investment holding
Northlink Holdings Limited	British Virgin Islands*	200 ordinary shares of US$1 each	100%	—	Investment holding
Ocean Vision Investments Limited	British Virgin Islands*	1 ordinary share of US$1 each	—	100%	Investment holding
Wealth Prospect Limited	Hong Kong	2 ordinary share of HK$1 each	—	100%	Metals trading

* *The companies are engaged in investment business and have no specific principal place of operation.*

None of the subsidiaries had any debt securities at 31 December 2006 or at any time during the year.

31. PARTICULARS OF ASSOCIATE

Particulars of the Group's associate as at 31 December 2006 is as follows:

Name of associate	Place of incorporation/ operation	Issued share capital	Proportion of Nominal value of issued share capital held by the Group	Principal activity
Chinachem Industries Limited	Hong Kong	10,000 ordinary shares of HK$1 each	49%	Investment holding

3. UNAUDITED INTERIM RESULTS

The following are the unaudited condensed consolidated results of the Group for the six months ended 30 June 2007 together with the comparative figures as extracted from the 2007 interim report of the Company:

CONDENSED CONSOLIDATED INCOME STATEMENT

	NOTES	Six months ended 30 June 2007 HK$'000 (Unaudited)	2006 HK$'000 (Unaudited)
Revenue	3	3,905	5,760
Cost of sales		(3,396)	(4,501)
Other income		509	1,259
Net gain on disposal of investments held for trading		1,269	1,628
Administrative expenses		7,914	—
Fair value changes on investments held for trading		(6,732)	(8,903)
Impairment loss on available-for-sale investment		20,652	(16,983)
Gain on disposal of a subsidiary		—	(13,489)
Share of losses of jointly controlled entities		—	6,204
		—	(57)
Finance costs	4	(1,411)	(2)
Profit (loss) for the period	5	22,201	(30,343)
Earnings (loss) per share — basic	6	HK0.32 cents	(HK0.57) cents
Earnings (loss) per share — diluted	6	HK0.26 cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	NOTES	**30 June 2007 HK$'000** *(Unaudited)*	**31 December 2006 HK$'000** *(Audited)*
Non-current Asset			
Property, plant and equipment		636	148
Current Assets			
Inventories		1,133	846
Other receivables		586	773
Loan receivables	8	36,894	—
Investments held for trading		190,563	136,432
Deposits placed with brokers		32,158	224
Pledged bank deposit		300	—
Bank balances and cash		148,180	10,200
		409,814	148,475
Current Liabilities			
Other payables		306	2,960
Net Current Assets		409,508	145,515
Total Assets less Current Liabilities		410,144	145,663
Non-current Liability			
Convertible notes	9	137,918	—
		272,226	145,663
Capital and Reserves			
Share capital	10	11,316	5,316
Reserves		260,910	140,347
		272,226	145,663

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	**Share premium**	**Contributed surplus**	**Translation reserve**	**Capital reserve**	**Convertible notes reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006 (audited)	26,582	312,933	507,061	5	802	2,963	(642,889)	207,457
Loss for the period	—	—	—	—	—	—	(30,343)	(30,343)
Realised upon disposal of a subsidiary	—	—	—	(5)	—	—	—	(5)
Total recognised expense for the period	—	—	—	(5)	—	—	(30,343)	(30,348)
Reduction of nominal amount in connection with consolidated shares	(21,266)	—	21,266	—	—	—	—	—
Transfer to accumulated losses from convertible notes reserve	—	—	—	—	—	(2,963)	2,963	—
At 30 June 2006 (unaudited)	5,316	312,933	528,327	—	802	—	(670,269)	177,109
Loss for the period and total recognised expense for the period	—	—	—	—	—	—	(31,446)	(31,446)
At 31 December 2006 (audited)	5,316	312,933	528,327	—	802	—	(701,715)	145,663
Profit for the period and total recognised income for the period	—	—	—	—	—	—	22,201	22,201
Issue of shares	6,000	90,000	—	—	—	—	—	96,000
Transaction costs attributable to issue of shares	—	(2,000)	—	—	—	—	—	(2,000)
Recognition of equity components of convertible notes	—	—	—	—	—	10,362	—	10,362
At 30 June 2007 (unaudited)	11,316	400,933	528,327	—	802	10,362	(679,514)	272,226

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Net cash used in operating activities	(34,213)	(74,540)
Net cash (used in) from investing activities:		
Increase in loan receivables	(51,560)	—
Increase in deposits placed with brokers	(31,934)	—
Increase in pledged bank deposit	(300)	—
Repayment of loan receivables	14,666	—
Other investing cash flows	321	989
	(68,807)	989
Net cash from financing activities:		
Net proceeds from issue of convertible notes	147,000	—
Net proceeds from issue of shares	94,000	—
Advances from jointly controlled entities	—	12,152
	241,000	12,152
Net increase (decrease) in cash and cash equivalents	137,980	(61,399)
Cash and cash equivalents at the beginning of the period	10,200	84,061
Cash and cash equivalents at the end of the period	148,180	22,662
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	148,180	22,662

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006. In addition, the Group has applied the following accounting policy for convertible notes issued during the period:

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. 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 notes using the effective interest method.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendment and interpretations ("INT") (collectively refer as the "HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2007.

The adoption of these new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)* — INT 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK(IFRIC)* — INT 12	Service Concession Arrangements[3]

* International Financial Reporting Interpretations Committee

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

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

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

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into two operating divisions — metals trading and investments in securities. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	Six months ended 30 June 2007		
	Metals trading	**Investments in securities**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Gross proceeds	3,905	99,205	103,110
Revenue	3,905	—	3,905
Segment result	387	28,566	28,953
Interest income			990
Unallocated corporate expenses			(6,331)
Finance costs			(1,411)
Profit for the period			22,201

	Six months ended 30 June 2006		
	Metals trading	Investments in securities	Total
	HK$'000	*HK$'000*	*HK$'000*
Gross proceeds	4,619	60,664	65,283
Revenue	4,619	1,141	5,760
Segment result	118	(15,842)	(15,724)
Interest income			1,628
Unallocated corporate expenses			(8,903)
Impairment loss on available-for-sale investment			(13,489)
Gain on disposal of a subsidiary			6,204
Share of losses of jointly controlled entities			(57)
Finance costs			(2)
Loss for the period			(30,343)

4. FINANCE COSTS

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Interest on borrowings wholly repayable within five years:		
Convertible notes	(1,280)	—
Other borrowings	(131)	(2)
	(1,411)	(2)

5. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Profit (loss) for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	78	23
and after crediting:		
Dividend income from investments held for trading	—	1,141
Gain on disposal of property, plant and equipment	280	—
Interest income on loan and other receivables	383	—
Interest on bank deposits	607	989
Imputed interest on loan to an investee company	—	639

6. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Earnings (loss)		
Profit (loss) for the period attributable to equity holders of the Company	22,201	(30,343)
Effect of dilutive potential ordinary shares: Interest on convertible notes (net of tax)	1,280	N/A
Earnings (loss) for the purposes of diluted earnings (loss) per share	23,481	(30,343)

	Six months ended 30 June	
	2007	**2006**
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share (Note below)	6,857,890	5,316,453
Effect of dilutive potential ordinary shares: Convertible notes	2,096,197	N/A
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	8,954,087	N/A

There were no dilutive potential ordinary shares in existence for the period ended 30 June 2006. Accordingly, no diluted loss per share is presented.

Note: The weighted average number of ordinary shares for the purposes of calculating basic earnings (loss) per share for the periods ended 30 June 2007 and 2006 have been retrospectively adjusted for the effect of the share subdivision approved by the shareholders of the Company at a special general meeting on 29 June 2007 and became effective on 3 July 2007.

7. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

8. LOAN RECEIVABLES

Loan receivables are unsecured, interest bearing at Hong Kong Prime Rate plus 1% per annum and repayable on demand.

9. CONVERTIBLE NOTES

On 18 May 2007, the Company issued convertible notes with principal amount of HK150,000,000. The fair value of the liability component at the date of issue is HK$139,426,909. The convertible notes carry a coupon rate of 4% per annum and will be matured on 17 May 2009. The convertible notes are denominated in Hong Kong dollars. The initial conversion price is HK$0.17 per share and subject to anti-dilutive adjustments. The effective interest rate of the liability component is 7.95% per annum.

Unless the notes have been converted by the noteholders, the Company will redeem the convertible notes on the maturity date at the principal amount of the convertible notes then outstanding.

The convertible notes contain liability and equity components. The equity component is presented in equity under the heading of "Convertible Notes Reserve". The fair value of the liability component of the convertible note payable, determined based on the present value of the estimated future cash outflows discounted at the effective interest rates of 7.95% per annum at the balance sheet date, approximate their corresponding carrying amount. At the balance sheet date, no conversion of the convertible notes has been made.

10. SHARE CAPITAL

	Number of shares	**Amount**
	(Unaudited)	*(Unaudited)*
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each as at 1 January 2007 and 30 June 2007	25,000,000,000	250,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 January 2007	531,645,319	5,316
Issue of shares (Note (i) & (ii) below)	600,000,000	6,000
At 30 June 2007	1,131,645,319	11,316

Notes:

(i) On 15 March 2007, the Company entered into an underwriting agreement with a placing agent for placement of 100,000,000 new shares on a fully-underwritten basis at the price of HK$0.16 per share to independent third parties.

(ii) On 15 March 2007, the Company also entered into a placing agreement with a placing agent for placement of 500,000,000 new shares on a best-efforts basis at the price of HK$0.16 per share to independent third parties.

11. PLEDGE OF ASSETS

As at 30 June 2007, the Group has pledged a bank deposit of HK$300,000 (2006: Nil) for the general banking facilities granted by a bank to the Company.

12. POST BALANCE SHEET EVENT

Pursuant to an announcement dated 12 June 2007 and a circular dated 13 June 2007, the board of directors proposed that each of the existing issued and unissued shares of HK$0.01 each in the share capital of the Company be subdivided (the "Share Subdivision") into ten shares of HK$0.001 each in the share capital of the Company. The Share Subdivision was approved by shareholders of the Company at a special general meeting on 29 June 2007 and became effective on 3 July 2007.

4. INDEBTEDNESS

As at the close of business on 30 November 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding bank loans of approximately HK$197.60 million which are secured by the Jiangxi Jiangzhou Shipyard's property, plant and equipment and guarantees executed from a former shareholder, securities loans of approximately HK$51.30 million and outstanding convertible notes with principal amount of HK$50,000,000. The securities loans were secured by the Group's marketable securities. There was no guarantee given by the Enlarged Group in respect of banking facilities available to associates of the Enlarged Group.

Disclaimers

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorized or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities of the Enlarged Group since 30 November 2007 up to and including the Latest Practicable Date.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2006, the date to which the latest audited financial statements of the Company were made up.

6. WORKING CAPITAL

After taking into account the available internal resources and existing facilities granted by banks and other financial institutions available of the Enlarged Group, and in the absence of unforeseen circumstances, the Directors are of the opinion that the Enlarged Group will have sufficient working capital for their present requirements, that is for at least twelve months from the date of this circular.

7. MANAGEMENT DISCUSSION AND ANALYSIS OF THE PERFORMANCE OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006

For the year ended 31 December 2004

The Group's turnover for the year 2004 increased by 7% to approximately HK$4.35 million. Net realized and unrealized gain on trading securities amounted to HK$2.69 million as compared to a gain of HK$13.68 million for the year 2003. The Group's trading business has improved slightly and investment in securities has again yielded profit for the year. On 5 January 2004, the Group signed an agreement to dispose of its entire equity interest in the issued share capital of

Beauforte Investors Corporation Limited ("Beauforte") to independent third parties for an aggregate consideration of HK$78 million, and the transaction was completed on 4 March 2004. Details of this transaction has been disclosed in the Company's announcements dated 9 January, 20 February and 4 March 2004 and the Company's circular dated 30 January 2004. As a result, a gain on disposal of interests in associates amounted to HK$12.25 million was recognized, and there was no amortisation of goodwill or impairment loss recognized in respect of the interests in associates. Overall, net loss for the year 2004 was thus reduced to approximately HK$2.22 million from a loss of HK$199.42 million in 2003.

As at 31 December 2004, the Group had cash and bank balances of approximately HK$10.12 million and investments in securities of approximately HK$22.62 million at market value. During the year 2004, the Group had fully repaid its convertible note payable ("Convertible Note") in the principal amount of HK$58 million. The Convertible Note was originally issued on 3 July 2001 and is unsecured. It bore interest at 7% per annum and matured on the third anniversary of the date of issue. Thus the Group had no loans or other borrowings at the end of 2004. The Group employed about twenty staff. Staff remuneration packages are normally reviewed annually. The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. In addition, the Group provides other staff benefits which include double pay, share option scheme, insurance and medical benefits. During the year, no share options have been granted under the share option scheme. Total staff costs was around HK$10.33 million.

As at 31 December 2004, the Group did not have significant contingent liabilities and charges on its assets. During the period under review, there was no other new business, including new products and services introduced or announced and there was no future plans for material investments or capital assets for the coming year. The gearing ratio for the Group as at 31 December 2004 was zero calculated on the basis of borrowing over Shareholders' funds. The Group was not exposed to significant exchange rate fluctuation. As a result, it did not hedge its exposure foreign exchange risk profile.

Subsequent to the year ended 31 December 2004, the Company entered into an agreement with a placing agent on 5 January 2005 for placement of convertible notes issued by the Company up to an aggregate principal amount of HK$50 million. The convertible notes are unsecured and bear interest at 3% per annum, payable upon one year from the date of issue. Details of which has been disclosed in the Company's announcement dated 5 January 2005 and the circular dated 19 January 2005. As at the date hereof, all the convertible notes have been redeemed and repaid in full.

On 10 January 2005, the Company entered into agreement with a placing agent for placement of 1,367,484,000 new shares at a price of HK$0.052 per new share on a fully underwritten basis (the "First Placing"). On the same date, the Company entered into another agreement for placement of 3,000,000,000 new shares at a price of HK0.052 per new share on a best effort basis (the "Second Placing"). As at the date hereof, the First Placing has been completed whilst the Second Placing has not yet been completed. Details of the First Placing and the Second Placing have been disclosed in the Company's announcements dated 10 January, 28 February and 24 March 2005 and circular dated 19 January 2005.

For the year ended 31 December 2005

The Group's turnover for the year 2005 increased by approximately HK$5.42 million to approximately HK$9.77 million. Although the Group's turnover has increased, trading business has remained difficult as the profit margin was slim. Other operating income increased by approximately HK$1.63 million mainly because of the increase in interest income from bank deposits and loan to an investee company, and increase in dividends from financial assets at fair value through profit or loss. Net realized and unrealized losses on financial assets at fair value through profit or loss amounted to approximately HK$16.50 million while the corresponding net realized and unrealized gain in 2004 was approximately HK$2.69 million as the Group's investments in securities was not satisfactory due to fluctuation of the market and securities prices. During the year 2005, the Company has granted share options to employees to subscribe ordinary shares of the Company. Under the new Hong Kong Financial Reporting Standard 2, an amount of approximately HK$13.44 million was recognized and included in the administrative expenses for the year to reflect the effect of granting the share options to employees. Finance costs have decreased during the year as the 2001 Convertible Notes (as defined below) were fully repaid in the year 2004 and the 2005 Convertible Notes (as defined below) were also been redeemed in March 2005. Overall, net loss for the year 2005 increased by approximately HK$48.93million to approximately HK$51.71 million.

Looking forward, as interest rate is still on the rise and if coupled with other factors such as the possibility of outbreak of the avian flu, the market in the year 2006 may become more volatile. Thus the Group is cautious on the performance of its securities investment, and the trading business is currently also expected to remain difficult. The Group hopes to explore and seek new business opportunities, no specific new business opportunities are finalized at the moment.

During the year 2005, the Company has completed several fund raising activities and thus the financial position of the Group are much strengthened. As at 31 December 2005, the Group had cash and bank balances of approximately HK$84.06 million and financial assets at fair value through profit or loss of approximately HK$86.66 million. As at 30 June 2004, the Group still had convertible note payable in the principal amount of HK$58 million (the "2001 Convertible Notes"). The 2001 Convertible Notes were originally issued on 3 July 2001 and was unsecured. It bore interest at 7% per annum and matured on the third anniversary of the date of issue. In July 2004, the 2001 Convertible Notes were fully repaid upon maturity. On 5 January 2005,the Company entered into an agreement with a placing agent for placement of convertible notes issued by the Company up to an aggregate principal amount of HK$50 million (the "2005 Convertible Notes") to independent third parties. The 2005 Convertible Notes were unsecured and bore interest at 3% per annum, payable upon one year from the date of issue. Details of which has been disclosed in the Company's announcement dated 5 January 2005 and the circular dated 19 January 2005. Net proceeds from the 2005 Convertible Notes amounted to approximately HK$ 48.5 million. All the 2005 Convertible Notes have been redeemed and repaid in full in March 2005. As at 31 December 2005, the Group had no loans or borrowing soutstanding. The Group employed about twenty staff. Staff remuneration packages are normally reviewed annually. The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. In addition, the Group provides other staff benefits which include double pay, share option scheme, insurance and medical benefits. Total staff costs for the current period was around HK$25.18 million. During the year 2005, the Company has granted share options to employees to subscribe 656,000,000 ordinary shares of the Company at the subscription price of HK$0.038 per share, and all these share options granted had been exercised during the year. As at 31 December 2005, no share options granted were outstanding.

As at 31 December 2005, the Group did not have significant contingent liabilities and charges on its assets. During the period under review, there was no other new business, including new products and services introduced or announced and material acquisition and disposals of subsidiaries and associated companies. There was no future plans for material investments or capital assets for the coming year. The gearing ratio for the Group as at 31 December 2005 was zero calculated on the basis of borrowing over Shareholders' funds. The Group was not exposed to significant exchange rate fluctuation. As a result, it did not hedge its exposure foreign exchange risk profile.

On 10 January 2005, the Company entered into agreement with a placing agent for placement of 1,367,484,000 new shares to independent third parties at a price of HK$0.052 per new share on a fully underwritten basis (the "First Placing"). On the same date, the Company entered into another agreement for placement of 3,000,000,000 new shares to independent third parties at a price of HK0.052 per new share on a best effort basis (the "Second Placing"). The First Placing has been completed whilst the Second Placing has been lapsed. Details of the First Placing and the Second Placing have been disclosed in the Company's announcements dated 10 January, 28 February, 24 March, 31 May and 4 July 2005 and circular dated 19 January 2005. Net proceeds from the First Placing was approximately HK$69 million of which HK$30 million was advanced ("Found Macau Loan") to Found Macau Investments International Limited ("Found Macau"). The Group has an investment in Found Macau (details of the investment and the Found Macau Loan have been disclosed in the Company's announcement dated 10 June 2005 and circular dated 27 June 2005). The balance of the net proceeds of approximately HK$39 million from the First Placing was used for the general working capital of the Group.

On 24 May 2005, the Company entered into agreement with a placing agent for placement of new shares of the Company on a fully underwritten basis. The placing agreement was terminated on 27 May 2005 and was replaced by a new placing agreement entered into between the Company and the placing agent on 27 May 2005 for placement of up to 150,000,000 new reorganized shares to independent third parties at a price of HK0.27 per new reorganized share (conditional upon the proposed reorganization of share capital as described below becoming effective) on a best effort basis. This new placing agreement was subsequently lapsed in August 2005. Details of which has been disclosed in the Company's announcements dated 27 May and 15 August 2005.

On 27 May 2005, the Company announced the proposed reorganization of share capital of which included consolidation of shares of the Company on the basis of consolidating 20 shares into 1 consolidated share. Details of which have been disclose din the Company's announcement dated 27 May 2005 and circular dated 14 June 2005. The proposed reorganization of share capital was approved by shareholders on 8 July 2005 and became effective on 11 July 2005.

On 24 August 2005, the Company entered into agreement with a placing agent for placement of 88,600,000 new shares of the Company to independent third parties at a price of HK$0.10 per new share on a fully underwritten basis. The market closing price of the Company's shares on 24 August 2005 was HK$0.112 per share. Details of the placing has been disclosed in the Company's announcement dated 24 August 2005. The placing was completed in September 2005 and the net proceeds of approximately HK$8.5 million was used for general working capital purposes.

On 6 October 2005, the Company announced proposed rights issue of 2,126,581,276 rights shares at a price of HK$0.05 per rights share on the basis of four rights shares for every share held. Details of which have been disclosed in the Company's announcement dated 6 October 2005 and circular dated 29 October 2005 and prospectus dated 16 November 2005. The proposed rights issue was approved by shareholders on 15 November 2005, and net proceeds of the rights issue for general working purposes amounted to approximately HK$102 million. As at 31 December 2005, approximately HK$52 million of the net proceeds was used for general working capital purposes.

On 19 January 2006, the Company announced the proposed reorganization of share capital of which included consolidation of shares of the Company on the basis of consolidating 5 shares into 1 consolidated share. Details of which have been disclosed in the Company announcement dated 19 January 2006 and circular dated 7 February 2006. The proposed reorganization of the share capital was approved by shareholders on 3 March 2006 and became effective on 6 March 2006.

For the year ended 31 December 2006

The Group's revenue for the year 2006 decreased by approximately 21% to approximately HK$8.35 million. The Group's metal trading business has been tough and it accounted for about HK$5.88 million of revenue. Investments in securities yielded about HK$2.47 million dividend income but fair value changes on investments held for trading recorded a loss of about HK$21.18 million as the market has been quite volatile. Other income increased by approximately HK$1.41 million mainly because of the increase in interest income from bank deposits and loan to an investee company. Administrative expenses has dramatically decreased since no share options have been granted during the year 2006 as opposed to the year 2005. In view of the recurring losses incurred by Found Macau Investments International Limited ("Found Macau"), the Group reviewed the carrying amounts of available-for-sale investment and the loan to Found Macau based on the expected recoverable amount and had made full impairment losses on them. During the year 2006, the Group has also disposed subsidiaries of which investments mainly include the Group's jointly controlled entities and recorded a total gain of about HK$7 million. Finance costs decreased as there was no expense related to convertible notes as opposed to the year 2005. Overall, net loss for the year 2006 increased by approximately HK$10.08 million to approximately HK$61.79 million.

Looking forward, although the interest rate has stopped rising for the moment, we are still uncertain on its trend and there also have risks that the economy may experience correction in future, thus the market for the year 2007 may continue to be challenging. The Group tends to remain cautious on the performance of its securities investment operation and also its trading business.

As at 31 December 2006, the Group had cash and bank balances of approximately HK$10.20 million and investments held for trading at market value of approximately HK$136.43 million. As at 31 December 2006, the Group had no loans or borrowings outstanding. The Group employed about twenty staff as at the year end. Staff remuneration packages are normally reviewed annually. The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. In addition, the Group provides other staff benefits which include double pay, share option scheme, insurance and medical benefits. Total staff costs for the year 2006 was around HK$12.05 million. No share options have been granted during the year, and as at 31 December 2006 no share options granted were outstanding. During the year, the unused net proceeds from the rights issue in 2005 has been utilized for general working capital purposes for the Group including, among other things, securities trading operations.

As at 31 December 2006, the Group did not have significant contingent liabilities and charges on its assets. During the period under review, there was no other new business, including new products and services introduced or announced and there was no future plans for material investments or capital assets for the coming year. The gearing ratio for the Group as at 31 December 2006 was zero calculated on the basis of borrowing over Shareholders' funds. The Group was not exposed to significant exchange rate fluctuation. As a result, it did not hedge its exposure foreign exchange risk profile.

On 19 January 2006, the Company announced the proposed reorganization of share capital of which included consolidation of shares of the Company on the basis of consolidating 5 shares into 1 consolidated share. Details of which have been disclosed in the Company announcement dated 19 January 2006 and circular dated 7 February 2006. The proposed reorganization of the share capital was approved by shareholders on 3 March 2006 and became effective on 6 March 2006.

Subsequent to 31 December 2006, the Company entered into an underwriting agreement with a placing agent on 15 March 2007 for the placement of 100,000,000 new shares of the Company at HK$0.16 per share. On the same date, the Company also entered into placing agreements with the same placing agent on a best-efforts basis for placement of up to a maximum of 500,000,000 new shares of the Company at HK$0.16 per share and convertible notes with principal amount of not more than HK$150,000,000. Details of these placings have been disclosed in the Company's announcement dated 22 March 2007 and circular dated 11 April 2007.

A. ACCOUNTANTS' REPORT

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Shu Lun Pan Horwath Hong Kong CPA Limited.

Horwath

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6 February 2008

The Board of Directors
Wonson International Holdings Limited
Unit 1201 on the 12th Floor
88 Gloucester Road
Wanchai
Hong Kong

Dear Sirs

We set out below our report on the financial information (the "Financial Information") of Inpax Technology Limited ("INPAX") and its subsidiary (hereinafter collectively referred to as "INPAX Group") for each of the years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2006 and 2007 (the "Relevant Periods"), prepared for inclusion in the circular of Wonson International Holdings Limited (the "Company") dated 6 February 2008 (the "Circular") in connection with the proposed acquisition of the 100% equity interest of INPAX Group by the Company (the "Acquisition").

INPAX was incorporated on 8 February 2000 in the British Virgin Islands. INPAX is an investment holding company which has been inactive since its incorporation until its acquisition of a 25% equity interest in Jiangxi Jiangzhou Union Shipbuilding Co., Ltd. (the "Shipyard") in December 2006. In September 2007, INPAX acquired the entire interest in the Shipyard.

No audited financial statements have been prepared for INPAX since it was incorporated as there is no statutory audit requirement to do so.

For the purpose of this report, the directors of INPAX have prepared the financial statements of INPAX Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (the "HKFRS Financial Statements"). The HKFRS Financial Statements were audited by Shu Lun Pan Horwath Hong Kong CPA Limited.

Directors' responsibility

The directors of INPAX are responsible for the preparation and the true and fair presentation of the HKFRS Financial Statements in accordance with HKFRS. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountants' responsibility

For the financial information for each of the years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2007, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the HKFRS Financial Statements and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the financial information for the nine months ended 30 September 2006, it is our responsibility to form an independent conclusion, based on our review, on the financial information and to report our conclusion to you. We conducted our review on the financial information in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquiries of the management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information for the nine months ended 30 September 2006.

Opinion and review conclusion

In our opinion, the financial information for each of the years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2007, for the purpose of this report, gives a true and fair view of the state of affairs of INPAX and INPAX Group and of the results and cash flows of INPAX Group for the years and period then ended.

On the basis of our review which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the financial information for the nine months ended 30 September 2006.

B. FINANCIAL INFORMATION

Consolidated income statements

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2004**	**2005**	**2006**	**2006**	**2007**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Turnover	6	—	—	—	—	—
Cost of sales		—	—	—	—	—
Gross profit		—	—	—	—	—
Other gain and losses	7	—	—	—	—	658,456
Administrative expenses		—	(4)	(5)	(5)	(5)
(Loss)/profit from operations		—	(4)	(5)	(5)	658,451
Finance costs	8	—	—	—	—	(1)
(Loss)/profit before taxation		—	(4)	(5)	(5)	658,450
Taxation	10	—	—	—	—	—
Net (loss)/profit for the year/period		—	(4)	(5)	(5)	658,450

Consolidated balance sheets

	Note	As at 31 December 2004 HK$'000	As at 31 December 2005 HK$'000	As at 31 December 2006 HK$'000	At 30 September 2007 HK$'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	—	—	—	648,941
Intangible asset	12	—	—	—	122,130
Available-for-sale investment	13	—	—	136,160	—
Deferred tax asset	24	—	—	—	17,473
		—	—	136,160	788,544
Current assets					
Inventories	15	—	—	—	135,707
Due from customers on construction contracts	16	—	—	—	40,274
Trade receivables	17	—	—	—	178
Other receivables, prepayments and deposits paid	18	—	—	—	321,520
Bills receivable		—	—	—	269
Amounts due from a related party	29(a)	—	—	—	434,625
Amounts due from shareholders	19	78	74	68	—
Cash at banks and in hand		—	—	1	153,614
		78	74	69	1,086,187
Current liabilities					
Due to customers on construction contracts	16	—	—	—	60,519
Trade payables	21	—	—	—	3,513
Other payables and accruals	22	—	—	24,375	735,560
Amounts due to former shareholders	19	—	—	—	26,912
Amounts due to former shareholders of a subsidiary	20	—	—	—	10,350
Bank borrowings — secured	23	—	—	—	155,250
Bills payable		—	—	—	3,105
		—	—	24,375	995,209
Net current assets/(liabilities)		78	74	(24,306)	90,978
NET ASSETS		—	74	111,854	879,522
EQUITY					
Share capital	25	78	78	78	78
Reserves		—	(4)	111,776	879,444
TOTAL EQUITY		78	74	111,854	879,522

Consolidated statements of changes in equity

	Share capital	Exchange reserve	Investment revaluation reserves	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 25)				
At 31 December 2004	78	—	—	—	78
Loss for the year	—	—	—	(4)	(4)
At 31 December 2005	78	—	—	(4)	74
Increase in fair value of available-for-sale investment	—	632	111,153	—	111,785
Profit for the year	—	—	—	(5)	(5)
At 31 December 2006	78	632	111,153	(9)	111,854
Increase in fair value of available-for-sale investment	—	243	108,875	—	109,118
Transfer from reserve	—	—	(220,028)	220,028	—
Profit for the period	—	—	—	658,450	658,450
At 30 September 2007	78	875	—	878,469	879,422
For the nine months ended 30 September 2006 (Unaudited)					
At 1 January 2006	78	—	—	(4)	74
Profit for the period	—	—	—	(5)	(5)
At 30 September 2006	78	—	—	(9)	69

Consolidated cash flow statements

		Year ended 31 December			Nine month ended 30 September	
		2004	**2005**	**2006**	**2006**	**2007**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Operating activities						
Profit/(loss) before taxation		—	(4)	(5)	(5)	658,450
Adjustment for:						
Excess of acquirer's interest in the net fair value of acquiree's identifiable net assets over cost recognised	26	—	—	—	—	(658,456)
Operation cash flows before working capital changes		—	(4)	(5)	(5)	(6)
(Increase)/decrease in amounts due from shareholders		(78)	4	6	6	68
Increase in other payables and accruals		—	—	24,375	—	53,304
Decrease in amounts due to former shareholders		—	—	—	—	26,912
Cash (used in)/generated from operations		(78)	—	24,376	1	80,278
Income tax paid		—	—	—	—	—
Net cash (used in) /generated from operating activities		(78)	—	24,376	1	80,278

		Year ended 31 December			Nine month ended 30 September	
		2004	**2005**	**2006**	**2006**	**2007**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Investing activities						
Acquisition of available-for-sale investment		—	—	(24,375)	—	—
Cash flow on acquisition of a subsidiary	26	—	—	—	—	73,335
Net cash (used in)/generated from investing activities		—	—	(24,375)	—	73,335
Financing activities						
Capital injection		78	—	—	—	—
Net cash generated from financing activities		78	—	—	—	—
Net increase in cash and cash equivalents		—	—	1	—	153,613
Cash and cash equivalents at beginning of year/period		—	—	—	—	1
Effect of foreign exchange rate changes		—	—	—	—	—
Cash and cash equivalents at end of year/period		—	—	1	1	153,614
Analysis of the balances of cash and cash equivalents						
Cash at bank and in hand		—	—	1	1	153,614

C. NOTES TO THE FINANCIAL INFORMATION

1. General information

INPAX was incorporated on 8 February 2000 in the British Virgin Islands. The registered office of INPAX is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

INPAX is an investment holding company which had become dormant since its incorporation until its acquisition of 25% equity interest in Jiangxi Jiangzhou Union Shipbuilding Co., Ltd. (the "Shipyard") in December 2006. In September 2007, INPAX acquired the entire interest in the Shipyard.

2. Adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

The following new standards, amendments to standards and interpretations that have been issued but are not effective for the accounting periods commencing on 1 January 2007 have not been early adopted:

	Effective for accounting period beginning on or after
HKFRS 8, Operating segments	1 January 2009
HKAS 23 (Revised), Borrowing costs	1 January 2009
HK (IFRIC) — Int 11, HKFRS 2 — Group and treasury share transactions	1 March 2007
HK (IFRIC) — Int 12, Service concession arrangements	1 January 2008
HK (IFRIC) — Int 13, Customer loyalty programmes	1 July 2008
HK (IFRIC) — Int 14, HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

The directors of INPAX Group anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of INPAX Group.

3. Summary of significant accounting policies

The Financial Information have been prepared in accordance with HKFRSs (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong. The Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand and except otherwise indicated.

The preparation of Financial Information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 5 to the Financial Information.

A summary of the significant accounting policies followed by INPAX Group in the preparation of the Financial Information is set out below:

(a) ***Basis of preparation***

The Financial Information has been prepared on the historical cost basis except for property, plant and equipment and intangible asset which have been measured at fair value.

(b) ***Business combination***

The acquisition of business 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 INPAX 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 assumed in a business combination 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 acquisition over INPAX's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, INPAX'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 the profit and loss account.

(c) ***Subsidiary***

A subsidiary is an enterprise in which INPAX Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether INPAX Group controls another enterprise.

Investments in subsidiaries are included in INPAX's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by INPAX on the basis of dividends received and receivable.

(d) ***Property, plant and equipment***

Property, plant and equipment are stated at historical cost or revalued amounts, being the fair value at the date of revaluation, less accumulated depreciation and any accumulated impairment losses. Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to profit and loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset or a separate asset.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives after taking into account their estimated residual value of 5%, using the straight line method. The principal annual rates are as follows:

Buildings, development and structures	20 to 35 years
Machinery and equipment	4 to 15 years
Motor vehicles	8 years

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

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at cost. Cost includes the costs of construction of property and costs of plant and equipment. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

(e) ***Intangible asset***

Intangible asset represents the cost for granting electricity supply under an electricity supply agreement. No amortisation was required as the asset has an indefinite useful life. The useful life of the asset is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

(f) ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(g) ***Impairment of assets***

Assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, INPAX Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) ***Financial instruments***

Financial assets and financial liabilities are recognised on INPAX Group's balance sheet when INPAX Group 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit and loss account.

Financial assets

INPAX Group's financial assets are mainly classified into 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 adopted in respect of each category of financial assets are set out below.

(i) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent tot initial recognition, receivables (including other receivables and bank balances) are carried at amortised cost using the effective interest rate method, less any identified impairment losses. An impairment loss is recognised in profit and loss account 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 estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction 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 impairement not been recognised.

(ii) 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, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. For available-for-sale equity investments that do not have a quote market price in an active market and whose fair value cannot be reliably measured, there are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit and loss account when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by INPAX 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 INPAX after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Financial liabilities

Financial liabilities including other payables are subsequently measured at amortised cost, using the effective interest rate method.

(ii) Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with INPAX Group's accounting policy for borrowing costs.

Borrowings are classified as current liabilities unless INPAX Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(iii) Equity instruments

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

(i) ***Construction contracts***

Contract costs are recognised when incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

INPAX Group uses the 'percentage of completion method' to determine the appropriate amount to be recognised in a given period. The stage of completion is measured by reference to the standard labour hours incurred up to the balance sheet date as a percentage of total estimated standard labour hours for each contract.

INPAX Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognized losses) exceeds progress billings. Progress billings not yet paid by customers are included within trade and other receivables.

INPAX Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognized losses).

(j) ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(k) ***Operating lease***

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Land use rights represented upfront payments made for the use of land and are amortized over the unexpired terms of the lease on a straight-line basis. Amortization of land use rights are expensed in the income statement.

(l) ***Provisions and contingent liabilities***

Provisions are recognised for liabilities of uncertain timing or amount when INPAX Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

(m) ***Taxation***

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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 generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or 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 taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or asset is realised. Deferred taxation is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and INPAX Group intends to settle its current tax assets and liabilities on a net basis.

(n) ***Translation of foreign currencies***

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recorded in its functional currency. The consolidated financial statements are expressed in Hong Kong dollars which is the functional currency of INPAX, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, foreign currency transactions are translated into Hong Kong dollars, being the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 retranslation of monetary items, are included in the profit and loss account for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit and loss account for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

(o) ***Employee pension obligations***

Pursuant to laws and regulations in the PRC, contributions to the basic old age insurance for INPAX Group's PRC employees are made monthly to a government agency based on 28% of the standard salary set by the provincial government, of which 20% is borne by INPAX Group and the remainder is borne by the employees. Except for the monthly contribution of 20% on standard salary to the government agency, INPAX Group has no further obligation in connection with PRC employees' retirement benefits. The government agency is responsible for the pension liabilities relating to such employees on their retirement. INPAX Group accounts for these contributions on an accrual basis.

Contributions to the above retirement schemes are charged to the profit and loss account as incurred.

(p) ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 in profit and loss in the period in which they are incurred.

(q) ***Related parties***

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of INPAX Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of INPAX Group or of any entity that is a related party of INPAX Group.

(r) ***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts.

(i) *Contract revenue*

Revenue from individual construction contracts is recognised net of value-added tax when there is reasonable certainty as to the outcome of the contract. The revenue is recognized on the percentage of completion method.

(ii) *Sale of services*

Revenue from ship repairing services is recognized net of value-added tax when the services provided to customers are completed.

(iii) *Interest income*

Interest income from a financial asset is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

4. **Financial risk management**

(a) ***Financial risks***

The main risks arising from INPAX Group's financial instruments in the normal course of the INPAX Group's business are credit risk, liquidity risk, interest rate and currency risk. The Group's overall risk management programme focuses on the unpredictability of commodity markets and seeks to minimise potential adverse effects on INPAX Group's financial performance.

(i) *Currency risk*

Foreign exchange risk arises from current and future commercial transactions, recognised assets and liabilities. INPAX Group's foreign currency transactions are mainly denominated in US dollars and EURO. At present, the Shipyard does not intend to seek to hedge its exposure to foreign exchange risk profile, and will consider appropriate hedging measure in future as may be necessary.

The following table details the Group's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Assets			Liabilities		
	31/12/2005	**31/12/2006**	**30/9/2007**	**31/12/2005**	**31/12/2006**	**30/9/2007**
	'000	*'000*	*'000*	*'000*	*'000*	*'000*
United States dollars	—	485	11,100	—	—	—
Euros	—	—	14,107	—	—	—
Renminbi	—	1,103,488	1,434,558	—	604,762	860,500

The following table indicates the approximate change in the group's profit after taxation (and retained profits) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the group has significant exposure at the balance sheet date.

	31/12/2005		**31/12/2006**		**30/9/2007**	
	Increase in Foreign exchange rates	**Effect on Profit for the Year and Retained profits**	**Increase in Foreign exchange rates**	**Effect on Profit for the Year and Retained profits**	**Increase in Foreign exchange Rates**	**Effect on Profit for the Year and Retained profits**
		HK$'000		*HK$'000*		*HK$'000*
United States dollars	—%	—	5%	24	5%	555
Euros	—%	—	5%	—	5%	—
Renminbi	5%	—	5%	12,149	5%	28,703

(ii) *Credit risk*

INPAX Group has no significant concentrations of credit risk. It has policies in place to ensure that transactions are made to customers with an appropriate credit history. The exposure to these credit risks are monitored on an ongoing basis.

(iii) *Liquidity risk*

INPAX Group manages liquidity risk through continuous monitoring and matching of the funding requirement and position. INPAX Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

(iv) *Cash flow and fair value interest-rate risk*

Short term borrowings at variable interest rate expose INPAX Group to cash flow interest rate risk. INPAX Group monitors the interest rate risk exposure on a continuous basis and adjusts the portfolio of borrowings where necessary.

(b) ***Capital risk management***

INPAX Group manages its capital to maintain a balance between continuity of funding and the flexibility through the use of bank borrowings. INPAX Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirements.

The capital structure of INPAX Group consists of debts, which includes the borrowings, bank balances and equity, comprising the registered capital, reserves and retained profits.

The management of the INPAX Group review the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the associated risk, and take appropriate actions to adjust the Shipyard's capital structure.

During the Relevant Periods, INPAX Group aimed at maintaining a gearing ratio of not more than 50%. The gearing ratios as at 31 December 2005 and 2006 and 30 September 2007 were as follows:

	As at 31 December		As at 30 September
	2005	2006	2007
	HK'000	*HK'000*	*HK'000*
Total debts	—	—	155,250
Less : Cash and cash equivalents	—	1	(153,614)
Net debts	—	(1)	1,636
Total equity	74	111,954	879,522
Gearing ratio	0%	0%	0.20%

(c) ***Fair value estimation***

The carrying values of other receivables, cash and cash equivalents, amount due from a related party and shareholders, bank borrowings and other payables as at the respective balance sheet dates approximate their fair values due to their short-term nature.

5. **Critical accounting estimates and judgements**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. INPAX Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) ***Impairment on long-lived assets***

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be impaired and an impairment loss may be recognised in accordance with accounting policy for impairment on long-lived asset as described in Note 3 (c). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. INPAX Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(b) ***Impairment for bad and doubtful debts***

The policy for impairment of bad and doubtful debts of INPAX Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtor of INPAX Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(c) ***Budgeted shipbuilding costs***

Based on the best information available in the market environment, INPAX Group prepares a cost budget for each shipbuilding contract and the budget, which is used in financial reporting, is revisited on a monthly basis. Foreseeable losses are provided when identified. In preparing the financial statements for the Relevant Periods, the Directors have reviewed the shipbuilding contracts and consider that a provision for loss is not necessary. Material adjustments to the budgeted shipbuilding costs may occur in future if there is a significant change in the shipbuilding market environment.

(d) ***Accruals for warranty***

INPAX Group provides warranties on vessels sold. A warranty provision is recognised when the ownership and risk of the products or projects were transferred to customers, based on historical information, industry practices and market environment. Due to the special nature of INPAX Group's products and services, and the uncertainty in accepting warranty obligations, material adjustments for warranties may be required upon final settlement.

(e) ***Trigger point of revenue recognition for individual construction contract***

INPAX Group will recognise revenue from individual construction contract according to the percentage of completion at each balance sheet date, given that the outcome of the contract can be reasonably ascertained.

6. **Turnover**

Turnover represents the value of contract work completed by reference to the stage of completion of the contracts, the invoiced value of services provided, net of value-added tax, returns, rebates and discounts.

7. **Other gains and losses**

	Year ended 31 December			Nine months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Excess of acquirer's interest in the net fair value of acquiree's identifiable net assets over cost recognised (Note 26)	—	—	—	—	658,456

8. **Finance costs**

	Year ended 31 December			Nine months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Interest on bank borrowings wholly repayable within five years	—	—	—	—	—
Bank charges	—	—	—	—	1
	—	—	—	—	1

9. **Directors' emoluments**

During the Relevant Periods, there are no directors' emoluments paid or payable.

10. **Taxation**

(a) No PRC enterprise tax has been provided as INPAX did not have any assessable profit in the PRC.

(b) No PRC enterprise tax has been provided for the subsidiary in the PRC as the subsidiary is entitled to an exemption from PRC foreign income tax applicable to foreign enterprises of 25% for the two years starting from its profit-making year since its change of status (i.e. year 2007), followed by a 50% reduction for the next three years.

(c) Taxation for the Relevant Periods can be reconciled to the accounting profit as follows:

	Year ended 31 December			Nine month ended 30 September	
	2004	**2005**	**2006**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Profit/(loss) before taxation	—	(4)	(5)	(5)	658,451
Tax at applicable tax rate	—	(1)	(1)	(1)	217,289
Tax effect of non-taxable item	—	—	—	—	(217,290)
Unrecognised timing differences	—	1	1	1	1
Taxation for the year/period	—	—	—	—	—

11. **Property, plant and equipment**

	Building, development and Structures	**Machinery and equipment**	**Motor vehicles**	**Construction in progress**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:					
At I January 2005, 2006 & 2007	—	—	—	—	—
Acquisition of a subsidiary	569,449	39,026	9,661	30,805	648,941
At 30 September 2007	569,449	39,026	9,661	30,805	648,941
Net book value:					
At 30 September 2007	569,449	39,026	9,661	30,805	648,941
At 31 December 2006	—	—	—	—	—
At 31 December 2005	—	—	—	—	—
At 31 December 2004	—	—	—	—	—

As at 30 September 2007, certain of INPAX Group's buildings and machinery with an aggregate net book value of approximately HK$113,693,000 have been pledged as collateral for short term bank borrowings (Note 23).

12. **Intangible asset**

	As at 31 December			As at 30 September
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year/period	—	—	—	—
Acquisition of a subsidiary	—	—	—	122,130
	—	—	—	122,130

Intangible asset represents the cost for granting electricity supply under an electricity supply agreement. No amortisation was required as the asset has an indefinite useful life.

13. **Available-for-sale investment**

	As at 31 December			As at 30 September
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted investment, at fair value	—	—	136,160	—

In December 2006, INPAX injected capital of HK$24,375,000 into Jiangxi Jiangzhou Union Shipbuilding Co. Ltd. (the "Shipyard") to acquire a 25% equity interest in the registered capital of the Shipyard. As INPAX was not in a position to exercise significant influence on the Shipyard since the date of acquisition, it was accounted for as an available-for-sale investment. At 31 December 2006, a fair value adjustment of HK$111,153,000 was recognised directly in equity.

In September 2007, INPAX acquired the remaining 75% equity interest of the Shipyard when the Shipyard became a wholly-owned subsidiary.

14. **Interest in a subsidiary**

Particulars of the subsidiary as at 30 September 2007 are as follows:-

		Proportion of ownership		
Name of company	**Place of incorporation and operation**	**Ownership interest**	**Voting power held**	**Principal activity**
		%	%	
Jiangxi Jiangzhou Union Shipbuilding Co., Ltd.	The People's Republic of China	100	100	Production and operation of metal vessel manufacturing

In September 2007, INPAX acquired the remaining 75% of the Shipyard which becomes a wholly-owned subsidiary of INPAX.

15. **Inventories**

	As at 31 December			As at 30 September
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	—	—	—	135,707

16. **Construction contracts in progress**

	As at 31 December			As at 30 September
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract costs incurred plus attributable profits	—	—	—	475,790
Less : progress billings to date	—	—	—	(496,035)
	—	—	—	(20,245)
Representing:				
Due from customers on construction contracts	—	—	—	40,274
Due to customers on contraction contracts	—	—	—	(60,519)
	—	—	—	(20,245)

At 30 September 2007, there were no retention monies held by customers for contract work (2006: Nil).

17. **Trade receivables**

	As at 31 December			As at 30 September
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	—	—	—	178
Less : provision for impairment of trade receivables	—	—	—	—
	—	—	—	178

The carrying amounts of trade receivables approximate their fair values.

An aging analysis of trade receivables (net of impairment losses for bad and doubtful debts is as follows:

	As at 31 December			As at 30 September
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not exceeding one year	—	—	—	136
More than one year but not exceeding two years	—	—	—	42
More than two years but not exceeding three years	—	—	—	—
More than three years	—	—	—	—
	—	—	—	178

18. **Other receivables, prepayments and deposits paid**

	As at 31 December			As at 30 September
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments for trading materials and equipment	—	—	—	274,161
Other taxes recoverable	—	—	—	39,706
Others	—	—	—	7,653
	—	—	—	321,520

The carrying amounts of other receivables approximate their fair values.

19. **Amounts due from/(to) shareholders/former shaerholders**

The amounts due are unsecured, interest free and have no fixed repayment terms.

20. **Amounts due to former shareholders of a subsidiary**

The amounts due are unsecured, interest free and have no fixed repayment terms.

21. **Trade payables**

The carrying amounts of trade payables approximate their fair values.

An aging analysis of trade payables is as follows:

	As at 31 December			As at 30 September
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not exceeding one year	—	—	—	3,513
More than one year but not exceeding two years	—	—	—	—
More than two years but not exceeding three years	—	—	—	—
More than three years	—	—	—	—
	—	—	—	3,513

22. **Other payables and accruals**

	As at 31 December			As at 30 September
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Received in advance	—	—	—	645,527
Other payables and accruals	—	—	—	90,033
	—	—	—	735,560

The directors of INPAX Group consider that the carrying amount of accruals and other payables approximate their fair value at each of the balance sheet dates.

23. **Bank borrowings-secured**

	As at 31 December			As at 30 September
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'0000*
Bank loans repayable within one year	—	—	—	155,250

The carrying amounts of INPAX Group's bank borrowings are denominated in Renminbi and their effective interest rates at each of the balance sheet dates were as follows:

	As at 31 December			As at 30 September
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	—	—	—	6.60%

As at 30 September 2007, INPAX Group's banking facilities were secured by its property, plant and equipment as detailed in note 11 and guarantees executed from a former shareholder of the Shipyard, 中國瑞聯實業集團有限公司 ("中國瑞聯").

As at 30 September 2007, INPAX Group had unutilised bank facilities of approximately HK$155,250,000 which were secured by a guarantee executed from 中國瑞聯 . Subsequent to 30 September 2007, INPAX Group utilised the facilities and took out a loan of approximately HK$51,750,000.

24. **Deferred tax asset**

The following is the deferred tax asset recognised and movements thereon during the Relevant Periods:

	Depreciation allowances in excess of related depreciation
	HK$'000
At 1 January 2004, 2005 and 2006	—
Arising from acquisition of a subsidiary *(Note 26)*	(17,473)
At 30 September 2007	(17,473)

25. **Share capital**

	As at 31 December			As at 30 September
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Authorised				
50,000 ordinary shares of US$1 each	390	390	390	390
Issued and fully paid 10,000 ordinary shares of US$1 each	78	78	78	78

	As at 31 December			As at 30 September
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Issued and fully paid				
At beginning of year	—	78	78	78
Issue of shares	78	—	—	—
	78	78	78	78

(a) INPAX was incorporated on 8 February 2000 with an initial authorised capital of US$50,000 divided into 50,000 shares of US$1 each. 1 share of US$1 each was issued to subscribers to the Memorandum of Association at par for cash on incorporation to provide the inital capital.

(b) Pursuant to an ordinary resolution passed on 24 November 2004, the issued share capital of INPAX was increased to US$10,000 by the allotment of 9,999 shares of US$1 each at par for cash.

26. **Change of status from available-for-sale investment to a subsidiary**

On 28 September 2007, INPAX acquired the remaining 75% equity interest of the Shipyard at a cash consideration of HK$77,680,000. Accordingly, the Shipyard became a wholly owned subsidiary of INPAX. This transaction has been accounted for by the acquisition method of accounting.

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

	2007
	HK$'000
Net assets acquired:	
Property, plant and equipment	648,941
Intangible asset *(Note)*	122,130
Deferred tax asset	17,473
Inventories	135,707
Trade receivables	178
Other receivables, prepayments and deposits	321,520
Cash at bank and in hand	151,015
Bills receivable	269
Amount due from a related company	434,625
Trade payables	(3,513)
Other payables and accruals	(657,881)
Due to customers on construction contracts	(20,245)
Bank loans	(155,250)
Bills payable	(3,105)
Amount due to a former shareholder	(10,350)
	981,514
75% share of net assets	736,136
Excess of acquirer's interest in the net fair value of acquiree's identifiable net assets over consideration paid	(658,456)
Total consideration	77,680
Net cash inflow arising on acquisition:	
Cash consideration	(77,680)
Cash at bank and in hand	151,015
	73,335

Note: Intangible asset represented the electricity use right on an electricity supply contract which was revalued at HK$122,130,000 by reference to the valuation using discounting cost saving method prepared by LCH (Asia-Pacific) Surveyors Limited.

27. **Lease arrangements**

The Shipyard has entered into operating lease arrangements for certain land use rights for a term of 50 years. The total consideration payable is approximately of HK$75,133,000.

28. **Capital commitments**

Capital expenditure of INPAX Group contracted at each of the balance sheet dates is as follows:

	As at 31 December			As at 30 September
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted but not provided for	—	—	—	12,516

29. **Related party transactions**

(a) The amount due from a related company is unsecured, interest free and has no fixed repayment terms.

(b) Key management comprised of the directors only who did not received any remuneration during the Relevant Periods.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by INPAX Group in respect of any period subsequent to 30 September 2007.

Yours faithfully,
For and on behalf of
Shu Lun Pan Horwath Hong Kong CPA Limited
Certified Public Accountants
Hong Kong
Chan Kam Wing, Clement
Practising Certificate number P02038

A. ACCOUNTANTS' REPORT

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Shu Lun Pan Horwath Hong Kong CPA Limited.

Horwath

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6 February 2008

The Board of Directors
Wonson International Holdings Limited
Unit 1201 on the 12th Floor
88 Gloucester Road
Wanchai
Hong Kong

Dear Sirs

We set out below our report on the financial information (the "Financial Information") of Jiangxi Jiangzhou Union Shipbuilding Co., Ltd. (the "Shipyard") for the period from 16 June 2005 (date of incorporation) to 31 December 2005, year ended 31 December 2006 and the nine month ended 30 September 2006 and 2007 (the "Relevant Periods"), prepared for inclusion in the circular of Wonson International Holdings Limited (the "Company") dated 6 February 2008 (the "Circular") in connection with the proposed acquisition of the 100% equity interest of INPAX Technology Limited ("INPAX") and its subsidiary (hereinafter collectively referred to as "INPAX Group") by the Company (the "Acquisition"). As at the date of this report, the Shipyard is a wholly owned subsidiary of INPAX.

The Shipyard was established on 16 June 2005 in the People's Republic of China (the "PRC") with limited liability and became a sino-foreign joint venture in December 2006 and a wholly owned foreign enterprise in September 2007. The Shipyard engages in the production and operation of metal vessel manufacturing, vessel ancillary products and equipment and reparation of vessels.

The financial statements of the Shipyard for the year ended 31 December 2006 were prepared in accordance with the relevant accounting standards and rules of the PRC. The financial statements of the Shipyard for the year ended 31 December 2006 were audited by 江西中潤會計師事務所有限公司 . The Shipyard has adopted 31 December as its financial year end date.

For the purpose of this report, the directors of the Shipyard have prepared the financial statements for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (the "HKFRS Financial Statements"). The HKFRS Financial Statements were audited by Shu Lun Pan Horwath Hong Kong CPA Limited.

Directors' responsibility

The directors of the Shipyard are responsible for the preparation and the true and fair presentation of the HKFRS Financial Statements in accordance with HKFRS. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountants' responsibility

For the financial information for the period from 16 June 2005 (date of incorporation) to 31 December 2005, year ended 31 December 2006 and the nine month ended 30 September 2007, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the HKFRS Financial Statements and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the financial information for the nine months ended 30 September 2006, it is our responsibility to form an independent conclusion, based on our review, on the financial information and to report our conclusion to you. We conducted our review on the financial information in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquiries of the management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information for the nine months ended 30 September 2006.

Opinion and review conclusion

In our opinion, the financial information for the period from 16 June 2005 (date of incorporation) to 31 December 2005, year ended 31 December 2006 and the nine month ended 30 September 2007, for the purpose of this report, gives a true and fair view of the state of affairs of the Shipyard and of its results and cash flows for the years and period then ended.

On the basis of our review which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the financial information for the nine months ended 30 September 2006.

B. FINANCIAL INFORMATION

Income statements

	Notes	From 16 June 2005 to 31 December 2005	Year ended 31 December 2006	Nine month ended 30 September 2006	Nine month ended 30 September 2007
		RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Turnover	6	—	214,985	112,211	490,709
Cost of sales		—	(172,957)	(87,057)	(388,288)
Gross profit		—	42,028	25,154	102,421
Other revenue	7	—	3,033	780	3,927
Other gains and losses	8	414,858	1,635	1,723	1,264
Selling and distribution expenses		—	(720)	(454)	(528)
Administrative expenses		(8,698)	(36,588)	(34,468)	(31,483)
Profit/(Loss) from operations		406,160	9,388	(7,265)	75,601
Finance costs	9	—	(108)	(49)	(2,886)
Profit before taxation	11	406,160	9,280	(7,314)	72,715
Taxation	12	—	12,230	9,467	205,904
Profit for the year/period		406,160	21,510	2,153	278,619

Balance sheets

		As at 31 December		At 30 September
	Note	**2005**	**2006**	**2007**
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	13	622,910	589,611	599,242
Intangible asset	14	2,660	2,660	2,660
Deferred tax asset	24	—	—	16,882
		625,570	592,271	618,784
Current assets				
Inventories	15	3,699	64,814	131,118
Due from customers on construction contracts	16	—	33,589	38,913
Trade receivables	17	—	3,769	172
Other receivables, prepayments and deposits paid	18	5,600	79,415	310,647
Bills receivable		—	—	260
Amount due from a related company	28(c)	—	—	419,927
Amounts due from shareholders	19	17,825	311,312	—
Cash at banks and in hand		19	22,263	145,908
		27,143	515,162	1,046,945
Current liabilities				
Due to customers on construction contracts	16	—	97,969	58,472
Trade payables	20	22	10,567	3,394
Other payables and accruals	21	15,171	307,097	635,634
Amount due to a former shareholder	22	—	—	10,000
Bank borrowings — secured	23	—	—	150,000
Bills payable		—	—	3,000
		15,193	415,633	860,500
Net current assets		11,950	99,529	186,445
Net assets less current liabilities		637,520	691,800	805,229
Non-current liabilities				
Deferred taxation	24	(201,360)	(189,130)	—
NET ASSETS		436,160	502,670	805,229
EQUITY				
Capital	25	30,000	75,000	98,940
Reserves		406,160	427,670	706,289
TOTAL EQUITY		436,160	502,670	805,229

Statements of changes in equity

	Paid-in capital	PRC statutory reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 25			
At 16 June 2005 (date of incorporation)	—	—	—	—
Capital injection	30,000	—	—	30,000
Profit for the period	—	—	406,160	406,160
At 31 December 2005	30,000	—	406,160	436,160
Capital injection	45,000	—	—	45,000
Profit for the year	—	—	21,510	21,510
Transfer to PRC statutory reserve	—	2,572	(2,572)	—
At 31 December 2006	75,000	2,572	425,098	502,670
Capital injection	23,940	—	—	23,940
Profit for the period	—	—	278,619	278,619
At 30 September 2007	98,940	2,572	703,717	805,229
For the nine months ended 30 September 2006 (Unaudited)				
At 1 January 2006	30,000	—	406,160	436,160
Profit for the period	—	—	2,153	2,153
At 30 September 2006	30,000	—	408,313	438,313

Cash flow statements

	From 16 June 2005 to 31 December 2005	Year ended 31 December 2006	Nine month ended 30 September 2006	Nine month ended 30 September 2007
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Operating activities				
Profit/(loss) before taxation	406,160	9,280	(7,314)	72,715
Adjustment for:				
Depreciation	8,224	38,300	29,676	25,993
Excess of acquirer's interest in the net fair value of acquiree's identifiable net assets over cost recognised	(414,858)	—	—	—
Gain on disposal of property, plant and equipment	—	(1,635)	(1,723)	(722)
Interest income	—	(1,594)	—	(273)
Interest expense	—	—	—	2,664
Operation cash flows before working capital changes	(474)	44,351	20,639	100,377
Decrease/(increase) in inventories	129	(61,115)	(15,771)	(66,304)
Decrease/(increase) in construction contracts in progress	—	64,379	12,753	(44,821)
(Increase)/decrease in trade receivables	—	(3,769)	(378)	3,597
Increase in other receivables, prepayments and deposits paid	(3,024)	(73,815)	(437,316)	(231,232)
(Increase)/decrease in amounts due from shareholders	(525)	(293,487)	(36,134)	311,312
Increase in amounts due from related company	—	—	—	(419,927)
Increase in amount due to a former shareholder	—	—	—	10,000
Increase/(decrease) in trade payables	22	10,545	1,111	(7,173)
Increase in other payables and accruals	15,171	291,926	456,970	328,537
Increase in bills receivable	—	—	—	(260)
Increase in bills payable	—	—	—	3,000
Cash generated from/(used in) operations	11,299	(20,985)	1,874	(12,894)
Income tax paid	—	—	—	(108)
Net cash generated from/(used in) operating activities	11,299	(20,985)	1,874	(13,002)

	Note	From 16 June 2005 to 31 December 2005	Year ended 31 December 2006	Nine month ended 30 September 2006	Nine month ended 30 September 2007
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Investing activities					
Payments to acquire other assets		(2,660)	—	—	—
Payments to acquire property, plant and equipment		—	(6,532)	(3,834)	(35,644)
Cash flow on acquisition of business	26	(21,320)	—	—	—
Proceeds from disposal of property, plant and equipment		—	3,167	3,300	742
Interest received		—	1,594	—	273
Interest expenses		—	—	—	(2,664)
Net cash used in investing activities		(23,980)	(1,771)	(534)	(37,293)
Financing activities					
Capital injection		12,700	45,000	—	23,940
Proceeds from new bank borrowings		—	—	—	150,000
Net cash generated from financing activities		12,700	45,000	—	173,940
Net increase in cash and cash equivalents		19	22,244	1,340	123,645
Cash and cash equivalents at beginning of year/period		—	19	19	22,263
Cash and cash equivalents at end of year/period		19	22,263	1,359	145,908
Analysis of the balances of cash and cash equivalents					
Cash at bank and in hand		19	22,263	1,359	145,908

C. NOTES TO THE FINANCIAL INFORMATION

1. General information

The Shipyard was established in the People's Republic of China (the "PRC") on 16 June 2005 with limited liability. The address of the registered office of the Shipyard is 中國江西省瑞昌市下巢湖 . The principal activity of the Shipyard is production and operation of metal vessel manufacturing, vessel ancillary products and equipment and reparation of vessels.

2. Adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

The following new standards, amendments to standards and interpretations that have been issued but are not effective for the accounting periods commencing on 1 January 2007 have not been early adopted:

	Effective for accounting period beginning on or after
HKFRS 8, Operating segments	1 January 2009
HKAS 23 (Revised), Borrowing costs	1 January 2009
HK (IFRIC) — Int 11, HKFRS 2 — Group and treasury share transactions	1 March 2007
HK (IFRIC) — Int 12, Service concession arrangements	1 January 2008
HK (IFRIC) — Int 13, Customer loyalty programmes	1 July 2008
HK (IFRIC) — Int 14, HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

The directors of the Shipyard anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Shipyard.

3. Summary of significant accounting policies

The Financial Information have been prepared in accordance with HKFRSs (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong. The Financial Information is presented in Renminbi and all values are rounded to the nearest thousand and except otherwise indicated.

The preparation of Financial Information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 5 to the Financial Information.

A summary of the significant accounting policies followed by the Shipyard in the preparation of the Financial Information is set out below:

(a) ***Basis of preparation***

The Financial Information has been prepared on the historical cost basis except for certain property, plant and equipment which have been measured at fair value.

(b) ***Business combination***

The acquisition of business 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 Shipyard 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 assumed in a business combination 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 acquisition over the Shipyard's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Shipyard'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 the profit and loss account.

(c) ***Property, plant and equipment***

Property, plant and equipment are stated at historical cost or revalued amounts, being the fair value at the date of revaluation, less accumulated depreciation and any accumulated impairment losses. Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to profit and loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset or a separate asset.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives after taking into account their estimated residual value of 5%, using the reducing balance method. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The principal annual rates are as follows:

Buildings, development and structures	20 to 35 years
Machinery and equipment	4 to 15 years
Motor vehicles	8 years

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at cost. Cost includes the costs of construction of property and costs of plant and equipment. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

(d) ***Intangible asset***

Intangible asset represents the cost for granting electricity supply under an electricity supply agreement. No amortisation was required as the asset has an indefinite useful life. The useful life of the asset is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

(e) ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(f) ***Impairment of assets***

Assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Shipyard estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) ***Financial instruments***

Financial assets and financial liabilities are recognised on the Shipyard's balance sheet when the Shipyard 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit and loss account.

Financial assets

The Shipyard financial assets are mainly classified into receivables. 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 adopted in respect of each category of financial assets are set out below.

(i) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent tot initial recognition, receivables (including other receivables and bank balances) are carried at amortised cost using the effective interest rate method, less any identified impairment losses. An impairment loss is recognised in profit and loss account 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 estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction 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 impairement not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Shipyard 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 Shipyard after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Financial liabilities

Financial liabilities including other payables are subsequently measured at amortised cost, using the effective interest rate method.

(ii) Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Shipyard accounting policy for borrowing costs.

Borrowings are classified as current liabilities unless the Shipyard has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(iii) Equity instruments

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

(h) ***Construction contracts***

Contract costs are recognised when incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

The Shipyard uses the 'percentage of completion method' to determine the appropriate amount to be recognised in a given period. The stage of completion is measured by reference to the standard labour hours incurred up to the balance sheet date as a percentage of total estimated standard labour hours for each contract.

The Shipyard presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognized losses) exceeds progress billings. Progress billings not yet paid by customers are included within trade and other receivables.

The Shipyard presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognized losses).

(i) ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(j) ***Operating lease***

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(k) ***Provisions and contingent liabilities***

Provisions are recognised for liabilities of uncertain timing or amount when the Shipyard has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

(l) ***Taxation***

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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 generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or 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 taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or asset is realised. Deferred taxation is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Shipyard intends to settle its current tax assets and liabilities on a net basis.

(m) ***Translation of foreign currencies***

In preparing the financial statements of the Shipyard, foreign currency transactions are translated into Renminbi, being the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 retranslation of monetary items, are included in the profit and loss account for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit and loss account for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

(n) ***Employee pension obligations***

Pursuant to laws and regulations in the PRC, contributions to the basic old age insurance for the Shipyard's PRC employees are made monthly to a government agency based on 28% of the standard salary set by the provincial government, of which 20% is borne by the Shipyard and the remainder is borne by the employees. Except for the monthly contribution of 20% on standard salary to the government agency, the Shipyard has no further obligation in connection with PRC employees' retirement benefits. The government agency is responsible for the pension liabilities relating to such employees on their retirement. The Shipyard accounts for these contributions on an accrual basis.

Contributions to the above retirement schemes are charged to the profit and loss account as incurred.

(o) ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 in profit and loss in the period in which they are incurred.

(p) ***Related parties***

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Shipyard where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Shipyard or of any entity that is a related party of the Shipyard.

(q) ***Revenue recognition***

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

(i) *Contract revenue*

Revenue from individual construction contracts is recognised net of value-added tax when there is reasonable certainty as to the outcome of the contract. The revenue is recognized on the percentage of completion method.

(ii) *Sale of services*

Revenue from ship repairing services is recognized net of value-added tax when the services provided to customers are completed.

(iii) *Interest income*

Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

4. **Financial risk management**

(a) ***Financial risks***

The main risks arising from the Shipyard's financial instruments in the normal course of the Shipyard's business are credit risk, liquidity risk, interest rate and currency risk. The Shipyard's overall risk management programme focuses on the unpredictability of commodity markets and seeks to minimise potential adverse effects on the Shipyard's financial performance.

(i) *Currency risk*

Foreign exchange risk arises from current and future commercial transactions, recognised assets and liabilities. The Shipyard's foreign currency transactions are mainly denominated in US dollars and EURO. At present, the Shipyard does not intend to seek to hedge its exposure to foreign exchange risk profile, and will consider appropriate hedging measure in future as may be necessary.

The following table details the Shipyard's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Assets			**Liabilities**		
	31/12/2005	**31/12/2006**	**30/9/2007**	**31/12/2005**	**31/12/2006**	**30/9/2007**
	'000	*'000*	*'000*	*'000*	*'000*	*'000*
United States dollars	—	485	10,767	—	—	—
Euros	—	—	14,107	—	—	—

The following table indicates the approximate change in the Shipyard's profit after taxation (and retained profits) and other components of Shipyard's equity in response to reasonably possible changes in the foreign exchange rates to which the group has significant exposure at the balance sheet date.

	31/12/2005		**31/12/2006**		**30/9/2007**	
	Increase in Foreign exchange rates	**Effect on Profit for the Year and Retained profits**	**Increase in Foreign exchange rates**	**Effect on Profit for the Year and Retained profits**	**Increase in Foreign exchange rates**	**Effect on Profit for the Year and Retained profits**
		RMB'000		*RMB'000*		*RMB'000*
United States dollars	—	—	5%	(24)	5%	(538)
Euros	—	—	5%	—	5%	705

(ii) *Credit risk*

The Shipyard has no significant concentrations of credit risk. It has policies in place to ensure that transactions are made to customers with an appropriate credit history. The exposure to these credit risks are monitored on an ongoing basis.

(iii) *Liquidity risk*

The Shipyard manages liquidity risk through continuous monitoring and matching of the funding requirement and position. The Shipyard regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

(iv) *Cash flow and fair value interest-rate risk*

Short term borrowings at variable interest rate expose the Shipyard to cash flow interest rate risk. The Shipyard monitors the interest rate risk exposure on a continuous basis and adjusts the portfolio of borrowings where necessary.

(b) ***Capital risk management***

The Shipyard manages its capital to maintain a balance between continuity of funding and the flexibility through the use of bank borrowings. The Shipyard also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirements.

The capital structure of the Shipyard consists of debts, which includes the borrowings, bank balances and equity, comprising the registered capital, reserves and retained profits.

The management of the Shipyard review the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the associated risk, and take appropriate actions to adjust the Shipyard's capital structure.

During the Relevant Periods, the Shipyard aimed at maintaining a gearing ratio of not more than 50%. The gearing ratios as at 31 December 2005 and 2006 and 30 September 2007 were as follows:

	As at 31 December		**As at 30 September**
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Total debts	—	—	150,000
Less: Cash and cash equivalents	(19)	(22,263)	(145,908)
Net debts	(19)	(22,263)	4,092
Total equity	436,160	502,670	805,229
Net debt to equity ratio	0%	(4.4%)	0.5%

(c) ***Fair value estimation***

The carrying values of other receivables, cash and cash equivalents, amount due from a related party and shareholders, bank borrowings and other payables as at the respective balance sheet dates approximate their fair values due to their short-term nature.

5. **Critical accounting estimates and judgements**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Shipyard makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) ***Impairment on long-lived assets***

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be impaired and an impairment loss may be recognised in accordance with accounting policy for impairment on long-lived asset as described in Note 3 (c). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Shipyard uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(b) ***Impairment for bad and doubtful debts***

The policy for impairment of bad and doubtful debts of the Shipyard is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtor of the Shipyard were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(c) ***Budgeted shipbuilding costs***

Based on the best information available in the market environment, the Shipyard prepares a cost budget for each shipbuilding contract and the budget, which is used in the Shipyard's financial reporting, is revisited on a monthly basis. Foreseeable losses are provided when identified. In preparing the financial statements for the Relevant Periods, the Directors have reviewed the shipbuilding contracts and consider that a provision for loss is not necessary. Material adjustments to the budgeted shipbuilding costs may occur in future if there is a significant change in the shipbuilding market environment and the steel price.

(d) ***Accruals for warranty***

The Shipyard provides warranties on vessels sold. A warranty provision is recognised when the ownership and risk of the products or projects were transferred to customers, based on historical information, industry practices and market environment. Due to the special nature of the Shipyard's products and services, and the uncertainty in accepting warranty obligations, material adjustments for warranties may be required upon final settlement.

(e) ***Trigger point of revenue recognition for individual construction contract***

The Shipyard will recognise revenue from individual construction contract according to the percentage of completion at each balance sheet date, given that the outcome of the contract can be reasonably ascertained.

6. **Turnover**

Turnover represents the value of contract work completed by reference to the stage of completion of the contracts, the invoiced value of services provided, net of value-added tax, returns, rebates and discounts.

7. **Other revenue**

	From 16 June 2005 to 31 December 2005	Year ended 31 December 2006	Nine month ended 30 September 2006	Nine month ended 30 September 2007
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income	—	1,594	—	273
Sundry income	—	1,439	780	3,654
	—	3,033	780	3,927

8. **Other gains and losses**

	From 16 June 2005 to 31 December 2005	Year ended 31 December 2006	Nine month ended 30 September 2006	Nine month ended 30 September 2007
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Gain on disposal of property, plant and equipment	—	1,635	1,723	722
Exchange gain	—	—	—	542
Excess of acquirer's interest in the net fair value of acquiree's identifiable net assets over cost recognised	414,858	—	—	—
	414,858	1,635	1,723	1,264

9. **Finance costs**

	From 16 June 2005 to 31 December 2005	Year ended 31 December 2006	Nine month ended 30 September 2006	Nine month ended 30 September 2007
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest on bank borrowings wholly repayable within five years	—	—	—	2,664
Bank charges	—	108	49	222
	—	108	49	2,886

10. **Directors' emoluments**

The emoluments of each director were as follows:

	Salaries and Allowances	**Pension fund contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Wang San Long	71	1	72
Sun Tian Hong	62	1	63
Qiu Hui Xing	67	—	67
Zhang Cai Gang	65	1	66
Zha Jiu Peng	65	1	66
Lu Heng Wu	62	1	63
Xu Xiao Yu	61	—	61
Li Ming	—	—	—
Liu Xiao Chun	—	—	—
Zheng Yi Sang	—	—	—
Niu Wen Hui	—	—	—
Liu Feng	—	—	—
Cheng Ping	—	—	—
Bian Ji Ming	—	—	—
Ju Jing Ping	—	—	—
Zheng Lei	—	—	—
Feng Ying	—	—	—
Di Tian Yun	—	—	—
Total for nine months ended 30 September 2007	453	5	458

	Salaries and Allowances	**Pension fund contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Wang San Long	49	1	50
Sun Tian Hong	46	—	46
Qiu Hui Xing	50	1	51
Zhang Cai Gang	48	1	49
Zha Jiu Peng	48	1	49
Lu Heng Wu	46	1	47
Li Ming	—	—	—
Liu Xiao Chun	—	—	—
Zheng Yi Sang	—	—	—
Xu Xiao Yu	—	—	—
Niu Wen Hui	—	—	—
Liu Feng	—	—	—
Cheng Ping	—	—	—
Total for the year ended 31 December 2006	287	5	292

No directors' emoluments were paid or payable for the year ended 31 December 2005.

11. **Profit before taxation**

Profit before taxation is arrived at after charging:

	From 16 June 2005 to 31 December 2005	Year ended 31 December 2006	Nine month ended 30 September 2006	Nine month ended 30 September 2007
	RMB'000	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Depreciation	8,224	38,300	29,676	25,993
Auditor's remuneration	—	2	—	29
Staff costs	—	24,715	16,225	21,849

12. **Taxation**

(a) Taxation in the income statement represents:

	From 16 June 2005 to 31 December 2005	Year ended 31 December 2006	Nine month ended 30 September 2006	Nine month ended 30 September 2007
	RMB'000	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Income tax:				
PRC enterprise income	—	—	—	—
Underprovision in prior year	—	—	—	108
	—	—	—	108
Deferred taxation (note 26)	—	(12,230)	(9,467)	(206,012)
Taxation for the year/period	—	(12,230)	(9,467)	(205,904)

Income tax represents provision of enterprise income tax in the PRC. It has been calculated at the current rate of 33% on the deemed assessable profits based on existing legislation, interpretation and practices in respect thereof.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "CIT Law"). The CIT Law reduces the corporate income tax rate for domestic enterprises from 33% to 25% with effect from 1 January 2008. The transitional rules for the existing preferential tax rates and other tax incentives will be stipulated and announced by the government authorities.

Pursuant to the relevant laws and regulations in the PRC, the Shipyard is entitled to an exemption from PRC foreign income tax applicable to foreign enterprises of 25% for the two years starting from its profit-making year since its change of status (i.e. year 2007), followed by a 50% reduction for the next three years.

(b) Taxation for the Relevant Periods can be reconciled to the accounting profit as follows:

	From 16 June 2005 to 31 December 2005	Year ended 31 December 2006	Nine month ended 30 September 2006	2007
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit/(loss) before taxation	406,160	9,280	(7,314)	72,714
Tax at applicable tax rate	134,033	3,063	(2,414)	18,178
Effect of tax incentive granted	—	—	—	(231,472)
Tax effect of non-taxable item	66,449	—	—	—
Change in tax rate	—	—	—	7,314
Underprovision in prior year	—	(108)	—	108
Unrecognised timing differences	878	(15,185)	(7,053)	(32)
Taxation for the year/period	201,360	(12,230)	(9,467)	(205,904)

13. **Property, plant and equipment**

	Buildings development and structures	Machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost or valuation:					
At 16 June 2005	—	—	—	—	—
Acquisition of business	596,119	28,100	6,915	—	631,134
At 31 December 2005	596,119	28,100	6,915	—	631,134
Additions	—	2,970	1,679	1,883	6,532
Transfer in/(out)	—	—	401	(401)	—
Transfer to expenses	—	—	—	(279)	(279)
Disposals	—	(1,486)	—	—	(1,486)
At 31 December 2006	596,119	29,584	8,995	1,203	635,901
Additions	—	3,477	3,127	29,040	35,644
Transfer in/(out)	—	312	168	(480)	—
Disposals	—	(27)	—	—	(27)
At 30 September 2007	596,119	33,346	12,290	29,763	671,518
Accumulated depreciation and impairment losses:					
At 16 June 2005	—	—	—	—	—
Charge for the period	4,886	2,814	524	—	8,224
At 31 December 2005	4,886	2,814	524	—	8,224
Charge for the year	23,452	12,233	2,615	—	38,300
Written back on disposal	—	(234)	—	—	(234)
At 31 December 2006	28,338	14,813	3,139	—	46,290
Charge for the year	17,589	6,198	2,206	—	25,993
Written back on disposal	—	(7)	—	—	(7)
At 30 September 2007	45,927	21,004	5,345	—	72,276
Net book value:					
At 30 September 2007	550,192	12,342	6,945	29,763	599,242
At 31 December 2006	567,781	14,771	5,856	1,203	589,611
At 31 December 2005	591,233	25,286	6,391	—	622,910

At the date of acquisition of business, the Shipyard acquired certain assets and liabilities at total consideration of RMB21,320,000. Included were property, plant and equipment of approximately RMB12,729,000. Based on the valuation carried out by LCH (Asia-Pacific) Surveyors Limited in November 2007, the fair value of property, plant and equipment at the date of acquisition should be approximately of RMB631,189,000.

As at 30 September 2007, certain of the Shipyard's buildings and machinery with an aggregate net book value of approximately RMB109,848,000 have been pledged as collateral for short term bank borrowings (Note 23).

14. **Intangible asset**

	As at 31 December		As at 30 September
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of period/year	—	2,660	2,660
Additions	2,660	—	—
At end of period/year	2,660	2,660	2,660

Intangible asset represents the cost for granting electricity supply under an electricity supply agreement. No amortisation was required as the asset has an indefinite useful life.

15. **Inventories**

	As at 31 December		As at 30 September
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	3,699	64,814	131,118

16. **Construction contracts in progress**

	As at 31 December		As at 30 September
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Contract costs incurred plus attributable profits	—	211,545	459,701
Less : progress billings to date	—	(275,925)	(479,260)
	—	(64,380)	(19,559)
Representing:			
Due from customers on construction contracts	—	33,589	38,913
Due to customers on contraction contracts	—	(97,969)	(58,472)
	—	(64,380)	(19,559)

At 30 September 2007, there were no retention monies held by customers for contract works (2006: Nil).

17. **Trade receivables**

	As at 31 December		As at 30 September
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	—	3,769	172
Less: provision for impairment of trade receivables	—	—	—
	—	3,769	172

The carrying amounts of trade receivables approximate their fair values.

An aging analysis of trade receivables (net of impairment losses for bad and doubtful debts is as follows:

	As at 31 December		As at 30 September
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Not exceeding one year	—	3,769	131
More than one year but not exceeding two years	—	—	41
More than two years but not exceeding three years	—	—	—
More than three years	—	—	—
	—	3,769	172

18. **Other receivables, prepayments and deposits paid**

	As at 31 December		As at 30 September
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for trading materials and equipment	2,296	62,273	264,889
Other taxes recoverable	59	10,156	38,363
Others	3,245	6,986	7,395
	5,600	79,415	310,647

The carrying amounts of other receivables approximate their fair values.

19. **Amounts due from shareholders**

	As at 31 December		As at 30 September
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Jiangxi Topsky Technology Co., Ltd.	—	302,312	—
中國瑞聯實業集團有限公司	—	9,000	—
Other individual shareholders	17,825	—	—
	17,825	311,312	—

The above amounts due from shareholders are unsecured, interest free and have no fixed repayment term.

20. **Trade payables**

The carrying amounts of trade payables approximate their fair values.

An aging analysis of trade payables is as follows:

	As at 31 December		As at 30 September
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Not exceeding one year	22	10,567	3,394
More than one year but not exceeding two years	—	—	—
More than two years but not exceeding three years	—	—	—
More than three years	—	—	—
	22	10,567	3,394

21. **Other payables and accruals**

	As at 31 December		As at 30 September
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Receipt in advance	5,167	304,651	623,697
Other payables and accruals	10,004	2,446	11,937
	15,171	307,097	635,634

The directors of the Shipyard consider that the carrying amount of accruals and other payables approximate their fair values.

22. **Advance from a former shareholder**

The advance is due from 中國瑞聯實業集團有限公司 ("中國瑞聯 "), which is unsecured, interest free and has no fixed repayment terms.

23. **Bank borrowings-secured**

	As at 31 December		As at 30 September
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans repayable within one year	—	—	150,000

The carrying amounts of the Shipyard's bank borrowings are denominated in Renminbi and their weighted average effective interest rates at each of the balance sheet dates were as follows:

	As at 31 December		As at 30 September
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings	—	—	6.60%

As at 30 September 2007, the Shipyard's bank borrowings are secured by its property, plant and equipment as detailed in note 13 and guarantees executed from a former shareholder, 中國瑞聯實業集團有限公司 ("中國瑞聯").

As at 30 September 2007, the Shipyard has unutilised bank facilities of RMB150,000,000 which is secured by guarantee executed from 中國瑞聯 . Subsequent to 30 September 2007, the Shipyard has obtained a loan of RMB50,000,000 by utilising the bank facilities.

24. **Deferred taxation**

The following is the deferred tax (asset)/liabilities recognised and movements thereon during the Relevant Periods:

	Depreciation allowances in excess of related depreciation
	RMB'000
At 16 June 2005	—
Arising from acquisition of business *(Note 26)*	201,360
At 31 December 2005	201,360
Credited to income statement for the year	(12,230)
At 31 December 2006	189,130
Credited to income statement for the period *(Note 12)*	(213,326)
Change in tax rate	7,314
At 30 September 2007	(16,882)

Note: In 2005, Jiangxi Jiangzhou Shipyard acquired a metal vessel manufacturing business, together with assets and liabilities from a liquidator. Details are disclosed in note 26. A deferred tax liability was recognized for the temporary differences between the fair values and tax bases of the acquired assets and liabilities at the applicable tax rate of 33% at the date of acquisition.

In 2007, Inpax Technology Limited ("Inpax") acquired the remaining 75% equity interest in Jiangxi Jiangzhou Shipyard and became the holding company. In connection with the acquisition by Inpax, Jiangxi Jiangzhou Shipyard fully reflected the carrying amount of these assets and liabilities in its tax filing to local tax authority in 2007, the temporary differences were eliminated and the deferred tax liability was totally reversed.

25. **Capital**

	As at 31 December		**As at 30 September**
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Registered capital			
At beginning of year/period	500	30,000	100,000
Increase in registered capital	29,500	70,000	—
At end of period/year	30,000	100,000	100,000
Paid up capital			
At beginning of year/period	—	30,000	75,000
Capital injection	30,000	45,000	23,940
At end of period/year	30,000	75,000	98,940

(a) The Shipyard was established on 16 June 2005 with an initial registered capital of US$62,500 (equivalent to RMB500,000).

(b) Pursuant to shareholders' resolutions dated 20 November 2005 and 20 November 2006, the registered capital of the Shipyard was increased to US$3,750,000 and US$12,500,000 respectively.

26. **Acquisition of business**

As set out in the footnote to note 24, on 16 October 2005, the Shipyard acquired the entire metal vessel manufacturing business from a liquidator for a cash consideration of RMB21,320,000. This transaction has been accounted for by the acquisition method of accounting.

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

	2005
	RMB'000
Net assets acquired:	
Property, plant and equipment	$ 631,134
Inventories	3,829
Other receivables, prepayments and deposits	2,575
Deferred tax liabilities	(201,360)
	$ 436,178
Excess of acquirer's interest in the net fair value of acquiree's identifiable net assets over consideration paid	(414,858)
Total consideration	$ 21,320
Net cash outflow arising on acquisition:	
Total consideration	$ 21,320

27. **Capital commitments**

Capital expenditure of the Shipyard contracted at each of the balance sheet dates was as follows:.

	As at 31 December		**As at 30 September**
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Contracted but not provided for	—	—	12,093

28. **Related party transactions**

(a) Name and relationship with related parties:

Name		**Relationship**
INPAX Technology Limited		Holding company
Jiangxi Topsky Technology Co. Ltd. ("Topsky")	(note i)	Corporate shareholder
中國瑞聯實業集團有限公司	(note ii)	Corporate shareholder

Notes:

(i) The relationship was changed to a related company on 28 September 2007 and the common director is 牛文輝.

(ii) Because an independent party after the transfer of equity interest to INPAX.

(b) During the Relevant Periods, the Shipyard had the following transactions with Topsky which in the opinion of the directors of the Shipyard, were entered into in the ordinary course of business between the Shipyard and Topsky and in accordance with the terms of agreements governing these transactions:

	Year ended 31 December		30 September
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Purchase of raw materials	—	8,429	180,279
Vessel sales agency fees paid *(note i)*	—	22,303	20,316
Import agency fees paid *(note ii)*	—	3,700	11,651

Topsky, a shareholder of the Shipyard during the period from September 2006 to September 2007, acts as a sales agent between the Shipyard and foreign vessel buyers and an import and export agent of the Shipyard.

Note:

(i) Vessel sales agency fees paid and payable were computed based on 1% to 2% of the contract price of relevant vessels.

(ii) Import agency fees paid and payable was computed based on 1% of total value of imported equipment.

(c) The amount due from Topsky is unsecured, interest free and has no fixed repayment terms.

(d) Members of key management during the Relevant Periods comprised only of the directors whose remuneration is set out in note 10.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Shipyard in respect of any period subsequent to 30 September 2007.

Yours faithfully,
For and on behalf of
Shu Lun Pan Horwath Hong Kong CPA Limited
Certified Public Accountants
Hong Kong
Chan Kam Wing, Clement
Practising Certificate number P02038

The following is the text of a report, prepared for the purpose of incorporation in this circular, from Shu Lun Pan Horwath Hong Kong CPA Limited in respect of the pro forma financial information of the Enlarged Group as set out in this appendix:

A. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

The accompanying unaudited pro forma financial information of the Enlarged Group ("Unaudited Pro Forma Financial Information"), including the unaudited pro forma consolidated balance sheet, the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement, have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition of the entire interest in INPAX Technology Limited ("INPAX") by the Company (the "Acquisition") as if the Acquisition was completed on 31 December 2006 for the pro forma consolidated balance sheet and at the beginning of the year ended 31 December 2006 for the pro forma consolidated income statement and consolidated cash flow statement. In the preparation of the unaudited pro forma financial information of INPAX Group, it is assumed that the acquisition of the remaining 75% equity interest in Jiangxi Jiangzhou Union Shipbuilding Co. Ltd. ("Jiangxi Jiangzhou Shipyard") by INPAX was completed on 31 December 2006 for the pro forma consolidated balance sheet and at the beginning of the year ended 31 December 2006 for the pro forma consolidated income statement and consolidated cash flow statement

The Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes. Accordingly, as a result of the uncertain nature of the accompanying Pro Forma Financial Information of the Enlarged Group, it may not give a true picture of the actual financial position or results of the Enlarged Group's operations that would have been attained had the Transaction actually occurred on the dates indicated herein. Further, the accompanying Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future financial position or results of operations.

For the purpose of Unaudited Pro Forma Financial Information, the balances stated in Hong Kong dollars have been translated into Reminbi at an exchange rate of RMB0.9662 to HK$1.00.

(I) UNAUDITED PRO FORMA FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

The unaudited pro forma consolidated balance sheet is based on the audited consolidated balance sheet of the Group as at 31 December 2006 which has been extracted from the annual report of the Group as set out in Appendix I and the audited balance sheet of INPAX Group and the Shipyard as at 31 December 2006 as set out in Appendices II and III to this circular, and adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated balance sheet of the Enlarged Group was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at the date to which it is made up to or at any future date.

	Audited balance sheet of INPAX as at 31 December 2006	Audited balance sheet of Jiangxi Jiangzhou Shipyard as at 31 December 2006	Pro forma adjustments		Unaudited pro forma consolidated balance sheet of INPAX Group as at 31 December 2006	Audited consolidated balance sheet of the Group as at 31 December 2006	Pro forma adjustments		Unaudited pro forma consolidated balance sheet of Enlarged Group as at 31 December 2006
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Non-current assets									
Property, plant and equipment	—	610,247			610,247	148			610,395
Intangible assets	—	2,753	75,907	*1b*	78,660	—			78,660
Goodwill							2,981,441	*2c*	2,981,441
Available-for-sale investments	136,160	—	(136,160)	*1a(ii)*	—	—			—
	136,160	613,000			688,907	148			3,670,496
Current assets									
Inventories	—	67,082			67,082	846			67,928
Due from customers on construction contracts	—	34,765			34,765	—			34,765
Trade receivables	—	3,901			3,901	—			3,901
Other receivables, prepayments and deposits	68	404,403			404,471	997			405,468
Investments held for trading	—	—			—	136,432			136,432
Cash and bank balances	1	23,042			23,043	10,200	(300,000)	*2a(i)*	—
							266,757	*6*	
	69	533,193			533,262	148,475			648,494

	Audited balance sheet of INPAX as at 31 December 2006	Audited balance sheet of Jiangxi Jiangzhou Shipyard as at 31 December 2006	Pro forma adjustments		Unaudited pro forma consolidated balance sheet of INPAX Group as at 31 December 2006	Audited consolidated balance sheet of the Group as at 31 December 2006	Pro forma adjustments		Unaudited pro forma consolidated balance sheet of Enlarged Group as at 31 December 2006
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Current liabilities									
Bank overdraft							266,757	*6*	266,757
Due to customers on construction contracts	—	101,398			101,398	—			101,398
Trade payables	—	10,937			10,937	—			10,937
Other payables and accruals	24,375	317,844	(24,375)	*1d*	395,524	2,960	200,000	*2a(i)*	598,484
			77,680	*1e*					
	24,375	430,179			507,859	2,960			977,576
Net current (liabilities)/assets	(24,306)	103,014			25,403	145,515			(329,082)
Total assets less current liabilities	111,854	716,014			714,310	145,663			3,341,414
Non-current liabilities									
Deferred tax liabilities	—	195,751			195,751	—			195,751
Convertible notes payable	—	—			—	—	2,518,325	*2b*	2,518,325
	—	195,751			195,751	—			2,714,076
Net assets	111,854	520,263			518,559	145,663			627,338
Capital and reserves									
Share capital	78	77,625	(77,625)	*1a*	78	5,316	(78)	*2c*	5,316
Reserves	111,776	442,638	18,977	*1c*	518,481	140,347	(518,481)	*2c*	622,022
			(442,638)	*1a*			481,675	*2b*	
			387,728	*1f*					
Total equity	111,854	520,263			518,559	145,663			627,338

(II) UNAUDITED PRO FORMA FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP

The unaudited pro forma consolidated income statement is based on the audited consolidated income statement of the Group for the year ended 31 December 2006 which has been extracted from the annual report of the Group as set out in Appendix I and the audited income statement of INPAX Group and the Shipyard for the year ended 31 December 2006 as set out in Appendix II and III to this circular, and adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated income statement of the Enlarged Group was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial result of the Enlarged Group for the year ended to which it is made up to or at any future periods.

	Audited income statement of INPAX for the year ended 31 December 2006	Audited income statement of Jiangxi Jiangzhou Shipyard for the year ended 31 December 2006	Pro forma adjustments		Unaudited pro forma consolidated income statement of INPAX Group for the year ended 31 December 2006	Audited consolidated income statement of the Group for the year ended 31 December 2006	Pro forma adjustments		Unaudited pro forma consolidated income statement of the Enlarged Group for the year ended 31 December 2006
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Revenue	—	222,509			222,509	8,354			230,863
Cost of sales	—	(179,010)			(179,010)	(5,385)			(184,395)
Gross profit	—	43,499			43,499	2,969			46,468
Other revenue	—	3,139			3,139	2,778			5,917
Other gains and losses	—	1,983			1,983	(46,244)			(44,261)
Selling expenses	—	(745)			(745)	—			(745)
Administrative expenses	(5)	(38,271)			(38,276)	(21,229)			(59,505)
Share of losses of jointly controlled entities	—	—			—	(57)			(57)
Excess of acquirer's interest in the net fair value of acquirer's identifiable net assets over cost	—	—	387,728	*3*	387,728	—	(387,728)	*4*	—
Finance costs	—	—			—	(6)	(185,267)	*5*	(185,273)
(Loss)/profit before taxation	(5)	9,605			397,328	(61,789)			(237,456)
Taxation	—	12,658			12,658	—			12,658
(Loss)/profit after taxation	(5)	22,263			409,986	(61,789)			(224,798)

(III) UNAUDITED PRO FORMA FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE ENLARGED GROUP

The unaudited pro forma consolidated cash flow statement is based on the audited consolidated cash flow statement of the Group for the year ended 31 December 2006 which has been extracted from the annual report of the Group as set out in Appendix I and the audited cash flow statement of INPAX Group and the Shipyard for the year ended 31 December 2006 as set out in Appendices II and III to this circular, and adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated cash flow statement of the Enlarged Group was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial results of the Enlarged Group for the year ended to which it is made up to or at any future periods.

	Audited cash flow statement of INPAX for the year ended 31 December 2006	Audited cash flow statement of Jiangxi Jiangzhou Shipyard for the year ended 31 December 2006	Pro forma adjustments	Notes	Unaudited pro forma consolidated cash flow of INPAX Group for the year ended 31 December 2006	Audited consolidated cash flow statement of the Group for the year ended 31 December 2006	Pro forma adjustments	Notes	Unaudited pro forma consolidated cash flow statement of Enlarged Group for the year ended 31 December 2006
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
OPERATING ACTIVITIES									
(Loss)/profit for the year	(5)	9,605	387,728	*3*	397,328	(61,789)	(387,728)	*4*	(237,456)
Adjustments for:									
Depreciation	—	39,641			39,641	47			39,688
Fair value changes on investments held for trading	—	—			—	21,184			21,184
Interest income	—	(1,650)			(1,650)	(2,778)			(4,428)
Interest expenses	—	—			—	—	185,267	*5*	185,267
Finance costs	—	—			—	6			6
Gain on disposal of property, plant and equipment	—	(1,692)			(1,692)	—			(1,692)
Impairment loss on available-for-sale investment	—	—			—	13,489			13,489
Impairment loss on loan to an investee company	—	—			—	18,569			18,569
Excess of acquirer's interest in the net fair value of acquirer's identifiable net assets over cost	—	—	(387,728)	*3*	387,728	—	387,728	*4*	—
Gain on disposal of subsidiaries	—	—			—	(6,998)			(6,998)
Share of losses of jointly controlled entities	—	—			—	57			57
Operating cash flows before movements in working capital	(5)	45,904			45,899	(18,213)			27,686
(Increase)/decrease in inventories	—	(63,254)			(63,254)	845			(62,409)

	Audited cash flow statement of INPAX for the year ended 31 December 2006	Audited cash flow statement of Jiangxi Jiangzhou Shipyard for the year ended 31 December 2006	Pro forma adjustments		Unaudited pro forma consolidated cash flow of INPAX Group for the year ended 31 December 2006	Audited consolidated cash flow statement of the Group for the year ended 31 December 2006	Pro forma adjustments		Unaudited pro forma consolidated cash flow statement of Enlarged Group for the year ended 31 December 2006
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Increase in trade receivables	—	(3,901)			(3,901)	—			(3,901)
Decrease in construction contracts in progress	—	66,632			66,632	—			66,632
Decrease/(increase) in other receivables, prepayments and deposits	6	(380,158)			(380,152)	1,167			(378,985)
Increase in investments held for trading	—	—			—	(70,958)			(70,958)
Increase in trade payables	24,375	10,914			35,289	—			35,289
Increase/(decrease) in other payables and accruals	—	302,143			302,143	(280)			301,863
Cash generated from/(used in) operations	24,376	(21,720)			2,656	(87,439)			(84,783)
Interest received	—	1,650			1,650	1,443			3,093
Interest paid	—	—			—	(6)	(36,000)	*5*	(36,006)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	24,376	(20,070)			4,306	(86,002)			(117,696)
INVESTING ACTIVITIES									
Purchase of property, plant and equipment	—	(6,761)			(6,761)	(11)			(6,772)
Proceeds from disposal of property, plant and equipment	—	3,278			3,278	—			3,278
Acquisition of available for sale investment	(24,375)	—			(24,375)	—			(24,375)
NET CASH USED IN INVESTING ACTIVITIES	24,375	(3,483)			(27,858)	(11)			(27,869)
FINANCING ACTIVITIES									
Capital inject by Shipyard's shareholders	—	46,575			46,575	—			46,575
Advance from jointly controlled entities	—	—			—	12,152			12,152
NET CASH GENERATED FROM FINANCING ACTIVITIES	—	46,575			46,575	12,152			58,727
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	1	23,022			23,023	(73,861)			(86,838)

	Audited cash flow statement of INPAX for the year ended 31 December 2006	Audited cash flow statement of Jiangxi Jiangzhou Shipyard for the year ended 31 December 2006	Pro forma adjustments	Notes	Unaudited pro forma consolidated cash flow of INPAX Group for the year ended 31 December 2006	Audited consolidated cash flow statement of the Group for the year ended 31 December 2006	Pro forma adjustments	Notes	Unaudited pro forma consolidated cash flow statement of Enlarged Group for the year ended 31 December 2006
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	—	20			20	84,061	(300,000)	*2a(i)*	(215,919)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1	23,042			23,043	10,200			(302,757)
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS									
Bank balances and cash	1	23,042			23,043	10,200	(325,800)	*6*	23,043
Bank overdrafts	—	—			—	—	(325,800)	*6*	(325,800)
	1	23,042			23,043	10,200			(302,757)

Notes:

1. The unaudited proforma information of INPAX Group is prepared as if the acquisition of the remaining 75% equity interest in the Shipyard by INPAX was completed on 31 December 2006 for the pro forma consolidated balance sheet and at the beginning of the year ended 31 December 2006 for the pro forma consolidated income statement and consolidated cash flow statement of INPAX Group. Accordingly, the Shipyard will be accounted for as a wholly-owned subsidiary of INPAX. Under Hong Kong Financial Standard 3 "Business Combinations" and Hong Kong Accounting Standard 27 "Consolidated and Separate Financial Statements", INPAX will apply the purchase method to account for the acquisition of the Shipyard as a subsidiary. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of the Shipyard will be recorded on the consolidated balance sheet of INPAX Group at their fair values at the date of completion of the Acquisition. Any goodwill or discount arising on the acquisition will be determined as the excess or deficit of the purchase price to be paid by INPAX over INPAX's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of the Shipyard at the date of completion of the Acquisition. Excess of the INPAX's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of the Shipyard over the consideration paid is recognised immediately in the consolidated income statement.

   The adjustments reflect the following:

   (a) Elimination of pre-acquisition reserves

      (i) Elimination of share capital and reserve of Jiangxi Jiangzhou Shipyard of approximately HK$58,219,000 and HK$331,978,000 respectively at the date of acquisition of the remaining 75% equity interest in Jiangxi Jiangzhou Shipyard.

(ii) Elimination of share capital and reserve of Jiangxi Jiangzhou Shipyard of approximately HK$19,406,000 and HK$110,660,000 representing the 25% equity interest in Jiangxi Jiangzhou Shipyard.

(b) Recognition of the electricity use rights on an electricity supply contracts of Jiangxi Jiangzhou Shipyard at fair value of HK$75,907,000 by reference to the valuation using the discounting cost savings method prepared by LCH (Asia-Pacific) Surveyors Limited.

(c) Increase in fair value of the 25% equity interest in Jiangxi Jiangzhou Shipyard arising from the revaluation of the electricity use right, as described in note 1(b).

(d) Elimination of obligations for capital injection to Jiangxi Jiangzhou Shipyard on the 25% equity interest held by INPAX.

(e) Consideration payable for the acquisition of the remaining 75% equity interest in the Shipyard of INPAX.

(f) Excess of acquirer's interest in the net fair value of acquiree's identifiable net assets over the consideration paid arising from the acquisition of the remaining 75% equity interest in the Shipyard, which represent the excess of the fair value of identifiable net assets of the Shipyard at the date of acquisition of approximately HK$465,408,000 and the cost of investment of approximately HK$77,680,000.

2. Upon the completion of the Acquisition, INPAX will be accounted for as a wholly-owned subsidiary of the Company. Under Hong Kong Financial Standard 3 "Business Combinations" and Hong Kong Accounting Standard 27 "Consolidated and Separate Financial Statements", the Group will apply the purchase method to account for the acquisition of INPAX. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of INPAX Group will be recorded on the consolidated balance sheet of the Group at their fair values at the date of completion of the Acquisition. Any goodwill or discount arising on the acquisition will be determined as the excess or deficit of the purchase price to be paid by the Group over the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of INPAX Group at the date of completion of the Acquisition. Excess of the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of INPAX Group over consideration is recognised immediately in the consolidated income statement.

The adjustments reflect the following:

(a) The consideration of HK3,500,000,000, comprises of:

(i) HK$500,000,000 in cash, of which HK$300,000,000 was paid on completion of the Acquisition and the remaining amount of HK$200,000,000 is payable on or before 31 December 2009; and

(ii) HK$3,000,000,000 by the issue of convertible notes at a conversion price of HK$0.15 per conversion share to the Vendor upon the completion of the Acquisition.

(b) The liability and equity portion of the convertible notes recorded by the Company based on the valuation as at 31 December 2006.

(c) Goodwill arising from the acquisition of the 100% equity interest in INPAX, which represents the excess of consideration of HK$3,500,000,000 and the fair value of the identifiable net assets of INPAX Group at the date of Acquisition of approximately HK$518,559,000, represented by share capital of HK$78,000 and reserves of approximately HK$518,481,000.

3. The adjustment represents the excess of INPAX's share in the net fair value of Shipyard's identifiable net assets over the consideration paid by INPAX arising from its acquisition of the remaining 75% equity interest in the Shipyard (the "Excess"). The Excess is computed based on the fair value of the identifiable net assets of the Shipyard at 31 December 2006.

4. The Excess which arose from the acquisition of the remaining 75% equity interest of the Shipyard by INPAX forms part of the reserves of INPAX Group. As INPAX had already acquired the entire interest of the Shipyard when Wonson acquired the entire interest of INPAX, the Excess which is included in the reserves of INPAX Group no longer appears separately and is included in the calculation of the goodwill of the Acquisition.

5. The adjustments represent:

   (i) The yearly imputed interest expenses of the Convertible Notes. These interest expenses shall have a continuing effect on the financial statements of the Group in the subsequent years.

   (ii) The interest payment for the Unrestricted Convertible Note at the principal amount of HK$2,400,000,000. No interest will be incurred for the Restricted Convertible Note.

6. The adjustment represents the reclassification of bank overdraft.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report from Shu Lun Pan Horwath Hong Kong CPA Limited, the reporting accountants of the Company, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this Appendix and prepared for the sole purpose of inclusion in this circular.

Shu Lun Pan Horwath Hong Kong CPA Limited
香港立信浩華會計師事務所有限公司
2001 Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Telephone : (852) 2526 2191
Facsimile : (852) 2810 0502
horwath@horwath.com.hk
www.horwath.com.hk

6 February 2008

The Board of Directors
Wonson International Holdings Limited
Unit 1103
11/F China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Wonson International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") and INPAX Technology Limited ("INPAX") (together with the Group hereinafter referred to as the "Enlarged Group") as set out on pages 129 to 137 under the heading of "Unaudited Pro Forma Financial information on the Enlarged Group" in Appendix IV to the Company's circular (the "Circular") dated 6 February 2008, which have been prepared by the directors of the Company, solely for illustrative purposes only, to provide information about how the proposed acquisition of the entire interests in INPAX by the Company (the "Acquisition"), might have affected the financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 129 to 137 of 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 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) 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, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information as set out in Appendices I, II and III of the Circular with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

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 a 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 purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments 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 the future and may not be indicative of:

— the financial position of the Enlarged Group as at 31 December 2006 or any future date; or

— the financial results and cash flows of the Enlarged Group for the year ended 31 December 2006 or for 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 4.29(1) of the Listing Rules.

Yours faithfully,
For and on behalf of
Shu Lun Pan Horwath Hong Kong CPA Limited
Certified Public Accountants
Hong Kong

Chan Kam Wing, Clement
Practising Certificate number P02038

The following is the valuation report of the market value of Jiangzhou Union Shipbuilding Co., Ltd. as at 30 November 2007 prepared by LCH (Asia-Pacific) Surveyors Limited for the purpose of inclusion in this circular.

利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
CHARTERED SURVEYORS
PLANT AND MACHINERY VALUERS
BUSINESS & FINANCIAL SERVICES VALUERS

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standards, Eighth Edition, 2007 published by the International Valuation Standards Committee, the Business Valuation Standards 2005 published by the Hong Kong Business Valuation Forum and the HKIS Valuation Standards on Trade-related Business Assets and Business Enterprises, First Edition, 2004 published by the Hong Kong Institute of Surveyors. These standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. It is emphasised that the findings and conclusions presented below are based on the documents and facts known to the valuer at the date of this report. If additional documents and facts are made available, the valuer reserves the right to amend this report and its conclusions.

17th Floor
Champion Building
Nos. 287-291 Des Voeux Road
Central
Hong Kong

6 February 2008

The Directors
Wonson International Holdings Limited
Unit 1201 on the 12th Floor
88 Gloucester Road
Wan Chai
Hong Kong

Dear Sirs,

In accordance with your recent instructions, we have based on a set of documents provided by the management of Wonson International Holdings Limited (hereinafter referred to as the "Company") to conduct an agreed-upon procedures appraisal of the business enterprise value of 江西江洲聯合造船有限責任公司 (translated as Jiangxi Jiangzhou Lianhe Shipbuilding Limited Company or known as Jiangzhou Union Shipbuilding Co., Ltd. and hereinafter referred to as "Jiangxi Jiangzhou Shipyard") in the People's Republic of China (hereinafter referred to as the "PRC" or "China") as at

30 November 2007 (hereinafter referred to as the "Date of Valuation") for the Company's internal management reference purpose. Jiangxi Jiangzhou Shipyard was a wholly foreign owned enterprise hereinafter referred to as ("WOFE") by INPAX Technology Limited (hereinafter referred to as "INPAX"), an investment holding company incorporated in the British Virgin Islands.

We understand that the management of the Company will use our work product as part of its business due diligence and we have not been engaged to make specific sale or purchase recommendations. We further understand that the management of the Company will not rely solely on our work, and that the use of our work product will not supplant other due diligence which the management of the Company should conduct in reaching its business decision with regards to Jiangxi Jiangzhou Shipyard. Our findings and conclusions in this agreed-upon procedures valuation are documented in a narrative report (hereinafter referred to as the "Narrative Report") and submitted to the Company at today's date.

At the request of the management of the Company, we prepared this summary report to summarise our findings and conclusion as documented in the Narrative Report for the purpose of inclusion in a circular at today's date for the Company's shareholders' reference. Terms herein used without definition shall have the same meanings as in the Narrative Report, and the assumptions and caveats adopted in the Narrative Report also apply to this report.

Introduction

On 5 November 2007, the Company entered into an acquisition agreement with Million King Investments Limited hereinafter referred to as (the "Vendor") of which the Company agreed to acquire from the Vendor the entire issued share capital of INPAX at a total consideration of HK$3,500 million. Upon completion of the acquisition, the Company will be beneficially interested in the entire issued share capital of INPAX whose sole asset is the entire equity interest in the Jiangxi Jiangzhou Shipyard, a WOFE established in the PRC on 25 December 2006 with the business commenced on 16 June 2005, which is principally engaged in the (i.) production and operation of metal vessel manufacturing, vessel ancillary products and equipment; (ii.) reparation of vessels; and (iii.) manufacture of cranes and electric appliances.

Instruction

Business enterprise value is defined as the total value of a business. It comprises of monetary assets (net working capital), tangible assets and intangible assets, thereby encompassing all assets of a business enterprise (see Note). In other words, the business enterprise value is also equal to the value of its invested capital — common equity, preferred stocks and long-term debts. While there is no universal definition of the term, it is the usual practice for a professional valuer, based on his professional knowledge and experience, to identify the definition for the intended valuation.

In this appraisal (the word *appraisal* has the same meaning of valuation in this report), we were instructed to analyse and to express an independent opinion of the market value of the entire equity

Note: A business enterprise is defined as a commercial, industrial, service, or investment entity, or a combination thereof, pursuing an economic activity.

interest (see Note) of Jiangxi Jiangzhou Shipyard (hereinafter referred to as the "Appraised Asset") as at the Date of Valuation, on a going concern basis, and based on documents and information provided by the management of the Company and/or the management of Jiangxi Jiangzhou Shipyard and/or INPAX. Based on the instructions, we define the term business enterprise value in this appraisal as the market value of the Appraised Asset.

The term "Market Value" is defined by the International Valuation Standards (hereinafter referred to as the "IVS"), Eighth Edition, 2007 published by the International Valuation Standards Committee, of which the Business Valuation Standards 2005 (hereinafter referred to as the "BVS") published by the Hong Kong Business Valuation Forum the HKIS Valuation Standards on Trade-related Business Assets and Business Enterprises, First Edition, 2004 published by the Hong Kong Institute of Surveyors (hereinafter referred to as the "HKIS Standards") follow, as "the estimated amount for which an asset 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".

We further assumed that, subject to the above definition, both the hypothetical willing buyer and the hypothetical willing seller contemplate the retention of Jiangxi Jiangzhou Shipyard at its existing status for the continuation of the current operations and with the inclusion of the planned business, on going concern basis, and both seeking their maximum economic self-interest in arriving at an arm's-length transaction.

Profiles of the Companies

1. ***INPAX Profile***

According to the information provided, INPAX is an investment holding company incorporated in the British Virgin Islands on 8 February 2000 with its registered address at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The company is capitalised with one class of common (also known as ordinary) stock that has a par value of US$1 each. As of the Date of Valuation, the company has an authorised share capital of US$50,000 consisting of 50,000 shares of US$1 each. There were 10,000 shares of common stock authorised, issued and fully paid. The company, as at the Date of Valuation, was 100% per cent. (or "%" used in the report) owned by the Vendor. INPAX was a dormant company since its incorporation and before its acquisition of 25% equity interest in Jiangxi Jiangzhou Shipyard in December 2006. In September 2007, INPAX acquired the entire equity interest in Jiangxi Jiangzhou Shipyard and owned the sole beneficial interest in the entire equity interest of Jiangxi Jiangzhou Shipyard. The risk and profit sharing of the company are based on the shareholding ratio of the company. The transfer and transmission of the company's shares are subject to the company's Memorandum and Articles of Association.

Note: Total assets minus liabilities equals to equity of a company.

2. ***Jiangxi Jiangzhou Shipyard Profile***

According to the information provided, Jiangxi Jiangzhou Shipyard was established in China on 25 December 2006 with its registered address at 江西省瑞昌市下巢湖 translated as Xia Chao Hu (Lower Lake Chao), Ruichang City, Jiangxi Province, the PRC. The company was a wholly foreign owned invested company by INPAX with limited liability and a registered capital of US$ 12.50 million.

Jiangzhou Shipyard, the former of Jiangxi Jiangzhou Shipyard, was a state-owned enterprise under China State Shipbuilding Corporation and established in 1971. Due to under-performance of its business in the late 1990s, the shipyard was listed by the local government as an enterprise subject to policy-oriented bankruptcy. Jiangxi Jiangzhou Shipyard, which was based on a restructured Jiangzhou Shipyard, launched its business in June 2005.

According to a renewed 企業法人營業執照 Enterprise Legal Person Business License No. 360400510000023 dated 28 September 2007, the operation term of Jiangxi Jiangzhou Shipyard was from 25 December 2006 to 2 June 2036. The business scope of Jiangxi Jiangzhou Shipyard was restricted to "生產經營金屬船舶製造，船舶配套產品和設備；船舶修理，起重機械，裝卸機械，電器製造，及本公司司類產品的進出口業務；自用氧氣，氮氣(憑安全生產許可證有效日期至2009年9 月7 日止，涉及專項規定的憑許可證經營)。"translated as "production and operation of metal vessel manufacturing, vessel ancillary products and equipment; reparation of vessels; manufacture of cranes, loading and unloading machines, and electric appliances; self used oxygen and nitrogen (subject to a Safety Production Permit till 7 September 2009, special projects are based on approval permit to operate)".

Jiangxi Jiangzhou Shipyard owns three large indoor plants of over 10,000 sq. m. (square meters) each, with total plant area of approximately 190,000 sq. m., one large indoor building berth (168 Meters (M) x 36 M), two large outdoor building berths (230 M x 31 M) (under construction), and 500 meters of out-fitting quay which satisfies the requirements for vessel out-fitting. It also has a coastal line of 1,000 m along the Yangtse River, and is equipped with 6,500 tons lifting strength floating dock, steel pre-treatment line, plasma welding and cutting equipment, cold frame bending machine, hydraulic tube bender, 1,250 tons hydraulic press, and over 1,000 units (sets) of various heavy duty equipment of 150 tons and 100 tons carts. Jiangxi Jiangzhou Shipyard has various scientific research departments, comprising design process room, material testing room, welding testing room, fissure detecting room, measuring room, and has the capability of designing and manufacturing various types of vessels of under 20,000 load tons.

Currently Jiangxi Jiangzhou Shipyard has over 800 employees, including 70 technicians, 330 workers directly involving in production, 257 production assisting workers, 80 production management staff, 40 administration staff, 6 logistics service staff, and over 20 inspection staff. It also obtained GB/T19001-2000 Quality Management Certificate dated 29 November 2004 and Certificate of Conformity of Quality System Certification of Military Product Supplier dated 28 December 2004.

In September 2005, Jiangxi Jiangzhou Shipyard and an independent shipbroker entered into a construction contract with a Germany enterprise for the procurement of four 12,000 tons multi-purpose vessels. The first vessel under this contract was officially launched on 15 February 2007. In 2006, Jiangxi Jiangzhou Shipyard entered into another construction contract with the same German enterprise for further procurement of two 12,000 multi-purpose vessels, four 900 TEU (twenty-foot equivalent container unit) container vessels; and entered into a construction contract with another German enterprise for the procurement of eight 16,500 tons chemical product vessels. In addition, Jiangxi Jiangzhou Shipyard further procured construction contracts for nine 16,500 tons chemical product vessels and ten 12,000 tons heavy crane vessels. The total orders of vessels of Jiangxi Jiangzhou Shipyard amounts to RMB7.3 billion.

Based on the financial information provided by the management of the Company, the audited financial performance of Jiangxi Jiangzhou Shipyard since year 2005 (the date of business inception) can be fairly represented as follows:

RMB ('000)	**Dec 2005**	**Dec 2006**	**Sept 2007**
Turnover	0	214,985	490,709
After tax Net Profit (Loss)	406,160	21,510	278,619
Net Asset	436,160	502,670	805,229

We have been advised by the management of Jiangxi Jiangzhou Shipyard that its objective is to become a leading vessel manufacturing enterprise in the Asian region, and to realise the company's vessel manufacturing capacity of 250,000 tons by 2010, that is the target of annual production of 16 to 18 vessels of 10,000 tons grade.

Jiangxi Jiangzhou Shipyard intends to implement the following plans:

1. Further increase investments in technological improvements, including appointment of overseas experts to visit and give guidance, enhance technical interflows with overseas advanced enterprises, send employees to be trained at overseas advanced enterprises;

2. Expand and renew Jiangxi Jiangzhou Shipyard's production facilities so as to enhance competitiveness;

3. Complete construction of two new building berths of 20,000 tons grade, and expand Jiangxi Jiangzhou Shipyard's production capacity;

4. Expand and renew infrastructures such as steel pre-treatment production and manufacture workshop, pipe processing workshop, coating workshop, docks, calling ports and container yards, so as to provide favorable conditions for the expansion of vessel manufacturing capacity.

Overview (See Note)

The Economic Outlook of China

The economy of China is the fourth largest in the world when measured by nominal GDP (Gross Domestic Product). Its economic output for 2006 was US$2.68 trillion. The GDP growth of China for 2006 was 11.10% (revised figures). With the strong growth of China's economy at a compound annual growth rate (CAGR) of approximately 10.19% from 1990 to 2006, it is expected that the China economic growth would remain at 8.5% to 9% from 2008 to 2011. Due to large scale investments both from domestic and foreign companies, China's booming economy has consistently overshot government targets in recent years. Economists further estimated that the 2008 Olympic Games in Beijing would benefit China's national GDP by an additional one per cent. Therefore, the overall prospects of the Chinese economy are favourable in the next few years.

The Shipbuilding Industry in China

Industry analysts considered that demand for new ships is a function of two key variables — new demand due to increase in seaborne trade and replace demand due to ships being scrapped. However, the decisions to make new ships are subject to a number of external factors, say new ship prices, freight rates and technical developments.

According to some industry reports, over the period of 1980 to 2006, the CAGR in international seaborne trade volumes was 3.1%, and in the period of 2001 to 2006, the average annual rate was 5.7% which reflected the strong economic growth worldwide and in particular China.

Since 2000, the PRC has become the main driver behind the recent significant upsurge in international seaborne trade, same as Japan in the 1990s, resulting in increased demand for new ships. Some industry analysts opined that with the recent rapid industrialisation of the PRC economy and the entry of the PRC into the World Trade Organization had two impacts on shipping — the import of base materials to China market caused the strong growth in the dry bulk shipping markets; whilst China exports of semi-manufactured and manufactured consumer and industrial products caused the demand for new containerships to transport these exports.

As the international freight charge keeps rising due to increase of seaborne trade, the performance of China's shipbuilding industry is also improving. The 2007 statistics show that China

Note: The information provided in this section relating to the shipbuilding market is derived in part or extracted or referred to from various official and unofficial sources (www.ses.com.sq). The official sources include various governmental websites. The unofficial sources include information provided by the management of the Company and/or the management of Jiangxi Jiangzhou Shipyard, various websites (included: Bloomberg.com), newspapers and journals from various industry practitioners or analysts (such as: China Economic News (No. 32) and (No. 38) 2007 and (No.1) 2008). We need to state that such official and unofficial information have not been prepared or independently verified by us, and may not be consistent with other information complied within or outside China. None of our staff involved in preparing this report make any representation as to the correctness or accuracy of such information and accordingly such information should not be unduly relied upon. The readers should conduct his/her due diligence with regard to the correctness and accuracy of such information for his/her own use. Last but not the least, the copyrights of those research papers/reports belong to the relevant publishers/writers.

surpassed South Korea to become the world's biggest shipbuilder by new orders. Chinese shipbuilders booked orders for 103.6 million deadweight tons of ships, compared with South Korea's 94.8 million. Total tonnage completed by China's shipbuilding industry in the first three quarters of 2007 stood at 12.03 million DWT (deadweight tonnage), a year-on-year jump of 44%, with 9.77 million DWT, or 81%, for export, according to data provided by China Association of the Shipbuilding Industry. New shipbuilding orders, at 64.36 million DWT, gained 120% over the same period of 2006; of that, 57.22 million DWT, or 89%, are for export. Held shipbuilding orders rose 111% year-on-year to reach 129.35 million DWT; of that, 113.07 million DWT, or 87% were for export. The improving performance of the industry in China is caused by both external and internal reasons.

In recent years, due to higher labour costs, shipbuilding powerhouses Japan and South Korea have shifted their priorities to LNG (liquefied natural gas) carriers, large container ships, engineering ships and other higher value-added vessels, moving lower value-added ones such as bulk cargo vessels and oil tankers to China. The most conspicuous feature in China's shipbuilding industry in the first half of 2007 was the explosive growth in new shipbuilding orders.

According to an industry report, good performance of China's shipbuilding industry lies in three aspects: (i.) the boom of the ocean shipping industry is gradually being transmitted to the shipbuilding industry; (ii.) shipbuilding tallies with China's industrial policy. China is in the mid-industrialisation period, and petrochemicals, iron and steel, and shipbuilding will inevitably be the development focus of the industrial policy. China has for the first time listed its shipbuilding industry in the "11th Five-Year Programme", and the Chinese Government has listed revitalization of the shipbuilding industry as the focus of developing the equipment industry and marine strategy in the next step; (iii.) the shifting of the world's shipbuilding centre to China has brought development opportunities to the industry. The international shipbuilding base began to shift from West Europe to Japan in the 1950s; and then further to South Korea in the 1970s. Japan has spent 10 years to evolve to be the world's No. 1 shipbuilder. China surpassed Japan to become the world's second largest shipbuilder in 2005, and is set to become the No.1 in five years. From 2007 to 2011, ships completed in China will maintain a compound annual growth rate of 20%, and by 2011, the load completed will exceed 30 million DWT.

Currently, the number of 100,000-200,000 ton-class shipbuilding facilities in China has increased from two to six; and that of 300,000 ton-class shipyards from two to eight. China's shipbuilding capacity and industrial scale have expanded rapidly, and shipbuilding has become the main source of profit of the industry. Chinese shipbuilding enterprises generated about RMB5.3 billion in profit in 2006, up 127% year on year and accounting for 55% of the gross profit. The gross profit reached RMB3.5 billion in the first half of 2007, up 187% year on year.

China's shipbuilding is in favourable territory profit-wise. Vessel export has a profitability margin of around 15%. Researchers at China Shipbuilding Industrial Economy Research Centre believe that the profit margin could be higher in brisk business cycles, especially for bulk cargo vessels, whose prices rose 1.5 times over those registered during bottom periods and profitability at 20%-30%.

The threshold for entering the shipbuilding industry is much lower than for real estate and mining industries. Shipbuilding belongs to labour-intensive industries, and for ordinary vessels like bulk cargo ships, with a venue, several experts, some workers, and investment, actual shipbuilding could start in half a year. Meanwhile, many state-owned shipyards are in the process of restructuring, providing a platform for the entry of overseas investment. Upon receipt of orders, ship-owners would first make a deposit payment. During boom times, initial payments could reach 30%-40% or even over 50% of total orders. The initial payments could be used for construction. At the same time, thanks to the current positive performance of the shipbuilding industry, it is relatively easy for the industry to obtain bank loans and to raise money on the stock markets.

It was estimated by some analysts that China's aggregate shipbuilding capacity will be above 40 million tons by 2010, double the Government's planned target. And they opined that relevant policies are being formulated jointly by the Ministry of Sciences and Technology and Industry, the State Development and Reform Commission and the Ministry of Commerce to check the excessive expansion of shipbuilding capacity and the chaotic entry of overseas investment.

The management of Jiangxi Jiangzhou Shipyard considered that with the economic boom in the emerging markets such as the PRC and India, the vessel market is currently facing steady, persistent and strong demands. In view of the continued increase in the cost of overseas shipbuilding enterprises, such as in Japan and Korea, where and the techniques of shipbuilding in the PRC continuing to improve and progress, in addition to maintaining costs at low level, the shipbuilding industry in the PRC has indicated an increasing upward trend. Jiangxi Jiangzhou Shipyard will capture this favorable opportunity, enhance technical improvements, renew equipments, so as to realise Jiangxi Jiangzhou Shipyard's shipbuilding capacity to reach 250,000 tons by 2010, that is annual production of 16 to 18 vessels of 10,000 tons grade.

The management of Jiangxi Jiangzhou Shipyard believed that the strength of the company is its ownership of an exclusive water outlet from Lower Lake Chao to the Yangtse River, and the perpetuity contractual rights of exclusive electricity supply to the company with comparative cheaper electricity charges than the other competitors along the Yangtse River.

Valuation Procedures Adopted

In performing the appraisal, we have adopted the following procedures which were agreed with the management of the Company before the engagement. They were:

- To read the supplied materials and based on the content of the materials such as product information, market condition, financial information and the scale of the going concern of Jiangxi Jiangzhou Shipyard to arrive at our opinion. In the course of valuation, we will assume the information that contained in the materials is correct and we will not verify or ascertain the correctness of the information contained in the materials.

- To prepare and submit a list(s) of required document and information regarding the operation of Jiangxi Jiangzhou Shipyard during the course of valuation. The completeness of the valuation depends on the availability of the required information being supply by the management of the relevant companies.

- To hold discussions with relevant personnel and to review various accounting and financial documents in order to understand the scope of their assets and their operations.

- To obtain the latest available asset schedule of Jiangxi Jiangzhou Shipyard on which to start the valuation.
- To identify off-balance sheet assets (if any) that should be recognised and valued.
- To conduct a limited scope of inspection to the production facilities of Jiangxi Jiangzhou Shipyard in Jiangxi, China to gather relevant information regarding the type of business, its operation and the assets of the Jiangxi Jiangzhou Shipyard.
- To conduct appropriate study in order to obtain necessary industry and market information to support our opinion of value. The extent of research is at our discretion.
- To value the Appraised Asset using the respective standards of value that is most appropriate.
- To document our findings and conclusion in our appraisal report.

The Basis of Valuation and Assumptions

The Appraised Asset is valued on the basis of "Market Value" in continued use or as a going concern. The continued use premise assumes that the Appraised Asset will be used for the purpose for which the Appraised Asset was conceived or is currently used. Implicit in this definition is the fact that a hypothetical willing and able buyer would not pay more to acquire the Appraised Asset than he could reasonably expect to earn in the future from an investment in the Appraised Asset.

Our valuation has been made on the assumptions that, as at the Date of Valuation,

1. the legally interested party in the Appraised Asset has free and uninterrupted rights to assign the Appraised Asset for the whole of the unexpired terms as granted under the relevant approvals and any premiums / administrative costs payable have already been fully paid;
2. all the contracts will be successfully implemented and completed till the end of their terms and will obtain the projected result within the terms;
3. all the required licenses, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organisation have been or can readily be obtained or renewed on which the valuation contained in our report is based;
4. the contracts successfully yielded the economic benefits as projected by the management of INPAX;
5. the prospective earnings of the contracts would provide a reasonable return to Jiangxi Jiangzhou Shipyard and to INPAX subsequently, and that Jiangxi Jiangzhou Shipyard has adequate working capital to operate its existing and planned contracts from time to time;

6. the legally interested parties in the contracts, in particular Jiangxi Jiangzhou Shipyard, have adopted reasonable and necessary security measures and have considered several contingency plans against any disruption (such as change of government policy, change of supply of materials and labour dispute) to Jiangxi Jiangzhou Shipyard's business; and

7. the Appraised Asset can be freely disposed and transferred free of all encumbrances for its existing uses in the market to both local and overseas purchasers without payment of any premium to the government.

Should this not be the case, it will have adverse impact to the reported findings and conclusion herein.

Factors Considered in the Valuation

The valuation of the Appraised Asset required consideration of all pertinent factors affecting the operations of the Jiangxi Jiangzhou Shipyard's business and its ability to generate future investment returns. The factors considered in the valuation included, but were not limited to, the following:

- The nature of the Appraised Asset;
- The nature and the going concern business of Jiangxi Jiangzhou Shipyard;
- The quality of Jiangxi Jiangzhou Shipyard's assets;
- The capability and determination of the management of Jiangxi Jiangzhou Shipyard to follow the planned road map in the provided financial projections;
- The capability and determination of the management of Jiangxi Jiangzhou Shipyard to renew and to maintain all the necessary contracts, licences, permits and approvals from time to time to make the business of Jiangxi Jiangzhou Shipyard be on-going;
- The capability and determination of the management of Jiangxi Jiangzhou Shipyard to maintain and expand its existing clientele and its favourable working relationship with its customers;
- The capability and determination of the management of Jiangxi Jiangzhou Shipyard to continue the existing marketing strategy;
- The capability and determination of the management of Jiangxi Jiangzhou Shipyard to maintain its existing qualification and management standards and to review/up-lift its standards to catch the market need from time to time;
- The capability and determination of the management of Jiangxi Jiangzhou Shipyard to develop/design up-to-date products to catch the market needs;

- The commitment of the management of INPAX to protect the Appraised Asset against any disruption of the normal business of Jiangxi Jiangzhou Shipyard;
- The commitment of the management of Jiangxi Jiangzhou Shipyard to maintain a cost effective and stable supply chain of resources/factors of production to produce its products and to distribute to its customers on time and within budget;
- The projected economic income stream of Jiangxi Jiangzhou Shipyard for the coming 5 years;
- The economic and industry data affecting Jiangxi Jiangzhou Shipyard and the shipbuilding industry in China;
- Market-derived investment returns in similar nature of entities; and,
- The risks facing Jiangxi Jiangzhou Shipyard and the Appraised Asset.

Establishment of Titles

Due to the market value basis of valuation, the management of the Company provided us the necessary documents to support that the legally interested party in the Appraised Asset, the Vendor, has free and uninterrupted rights to assign the Appraised Asset (in this instance, an absolute title) free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed. However, our procedures to value as agreed with the management of the Company did not required us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the Appraised Asset from the relevant authorities. We agreed with the management of the Company that this should be the responsibility of the legal advisor to the management of the Company. Thus, no responsibility or liability is assumed from our part to the origin and continuity of the titles to the Appraised Asset.

For the sake of valuation, we have been provided with copies of the title documents and legal opinions dated 18 January 2008 issued by 北京市凱鵬律師事務所, lawyers qualified to practice in China, (the "Legal Opinion") regarding the Appraised Asset. According to the Legal Opinion, INPAX has obtained full legal and beneficial title free from all encumbrances in respect of the Appraised Asset. Also, the Legal Opinion opined that all the contracts or agreements mentioned in the report are valid and effective in China. However, we have not inspected the original documents filed in the relevant authorities to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the Appraised Asset. In the course of preparing our report, we have relied solely on the copy of the Legal Opinion with regards to the existing legally interested party in the Appraised Asset. No responsibility and liability is assumed in relation to those opinions or copies of documents.

In our valuation, we have assumed that the legally interested party in the Appraised Asset has obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested party to continue the ownership of the Appraised Asset. Should this not be the case, it will affect our conclusion in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

Approach to Value

In the process of valuation, we have considered the three generally accepted business enterprise appraisal approach to value, namely the Asset-based Approach, the Market Approach and the Income Approach. As a summary of our Narrative Report, we considered that the Market Approach is the best approach in valuing the Appraised Asset because Jiangxi Jiangzhou Shipyard has maintained a historical earnings track record and will, as advised, continue in the coming years. The use of the Income Approach, to a certain extent, will involve subjective adjustments and assumptions in formulating the valuation model, this may become less attractive than the Market Approach for the sake of financial conservatism.

The Market Approach is basically a comparison method to value a business enterprise by comparison to the prices at which other similar business nature companies or interests changed hands in arm's-length transactions. The underlying theory of this approach is one would not pay more than one would have to pay for an equally desirable alternative. Therefore, the valuer will seek valuation guidance for valuation indication from the prices of other similar companies or equity interests in companies that were sold recently. The right transactions used in analysing for valuation indication need to be sales on an arm's-length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell. Then, based on those transactions to derive multiples (i.e. financial ratios) to apply to the fundamental financial variables of the subject business enterprise and to arrive at an indicated value of the subject business enterprise. The most commonly used multiples are price-to-earnings, price-to-sales (or revenue), price-to-book and price-to-EBITDA (earning before interest, taxes, depreciation and amortisation) multiple.

There are two methods of the Market Approach known as the Guideline Publicly Traded Company Method (by using similar company daily stock transaction prices) and the Guideline Merged and Acquired Company Method. Both methods need to rely on analysing available similar transacted comparables, and the big difference is on the structure of transactions - daily stock transaction prices in public market or mergers and acquisitions as occurred. In most cases, finding good market comparables is often difficult (particularly for those mergers and acquisitions) for there is no single marketplace where similar assets change hands between buyers and sellers, who are well informed and have no special motivations or compulsions to buy or to sell, are recorded.

We have at first considered the Guideline Merged and Acquired Company Method, however, we consider the use of this method in an imperfect market is difficult for i.) unless the acquired company was a publicly traded company, there did not have any legal requirement that the transaction data be reported to the public; and ii.) even data is available, the data is not necessarily as complete and reliable as publicly traded company data. We take the view that there might have been a number of merger and acquisition activities of similar business ventures in China around the Date of Valuation, however, due to the imperfect nature of the market, details of the transactional data and the basis were not made available to the public, in particular if the acquired company was a closely held company, financial data were usually limited and might not be possible to fully verify. Under such circumstances, we have not relied on this method in estimating the market value of the Appraised Asset.

We then moved to the Guideline Publicly Traded Company Method. The use of this method is considered by the market as final arbiter of value for the prices of guideline publicly traded companies are easily available and observed, disregard direct or proxy, from the public domains or mass media or the local stock exchange as of the relevant date. There will have sufficient data for each guideline company to analysis for the statutory requirement of filings of accounting books and records to the regulators. Because of that, it is a method widely used by financial analysts, fund managers and investors to value a company in a developed economy.

We noticed that there is one listed company in the stock exchange of China with business similar to Jiangxi Jiangzhou Shipyard - Guangzhou Shipyard International Company Limited, and this company also listed in the Stock Exchange of Hong Kong. We also noted that there are China CSSC Holdings Limited and Shanghai Zhenhua Port Machinery Co., Ltd. listed in the Shanghai Stock Exchange of China which designs and manufactured some products similar to Jiangxi Jiangzhou Shipyard.

Theoretically, the financial data of these companies after making suitable adjustment can be used as a valuation indication of representative industry. However, we have reservation to take these companies as our guideline companies for: i.) the different scale of production and market parameters of these companies compared to Jiangxi Jiangzhou Shipyard; ii.) the size difference between these companies and Jiangxi Jiangzhou Shipyard which may involve subjective adjustment on the size premium; and iii.) these companies are involved in other industry segments such as steel structures, containers or cranes manufacturing and enjoy various tax benefits, this may affect their financial ratios.

Ipso facto, China is considered by a number of investors as a comparatively risky country for the frequent intervention of its government to its financial and equity markets, and the speculative nature of its stock market for the past years. Such moves will cause the stock market or the price of the underlying stock fluctuated very much, this will distort the valuation ratios which base on the stock performance. For instance, the price-to-earnings ratio of the Shanghai Stock Exchange increased rapidly from 26.13 in November 2006 to 59.24 in November 2007 while the price-to-earnings ratio of the Hong Kong Stock Exchange (all stocks) only moved from 15.81 to 23.08 during the same period. Thus, for the sake of representation and, most importantly, shipbuilding is a global industry, we looked for other equity markets in the world to identify the appropriate representative industry parameters. It is obviously that Pacific Rim, being the major shipbuilding bases in the world (with Japan, South Korea and China in the first tier, and Singapore and Australia in the second tier), is the most appropriate market. Examples of these companies with source data from Bloomberg.com are:

Company (Stock code) (Market capitalisation)	**Listing Country**	**Price /Earnings Ratio (estimate)**	**Cost of Capital (%)**	**Price/ Cash Flow Ratio**	**Price/ Book Ratio**
Austal Limited (AU: ASB) (1998) (AU$ 449.26 million)	Australia	9.59 (9.18)	11.27	1.88	2.11
Sasebo Heavy Industries Co., Ltd. (JP: 7007) (JPY 68,992.83 million)	Japan	19.84 (11.62)	13.90	6.14	3.28
Mitsui Engineering & Shipbuilding Co., Ltd. (JP: 7003) (JPY 303,310.3 million)	Japan	12.71 (40.96)	11.59	6.1 (Mar 2007)	2.05
Namura Shipbuilding Co., Ltd. (JP: 7014) (JPY 57,095.97 million)	Japan	10.15 (13.41)	7.30	1.76 (Mar 2007)	1.73
Hitachi Zosen Corporation (JP: 7004) (JPY 96,324.87 million)	Japan	22.01 (203.83)	8.37	N/A	1.72
Sanoyas Hishino Meisho Corporation (JP: 7020) (JPY 17,930.00 million)	Japan	15.37 (FY EPS) (30.23)	7.80	1.3 (Mar 2007)	1.55
Naikai Zosen Corporation (JP: 7018) (JPY 9,597.78 million)	Japan	14.75 (13.84)	13.85	5.15 (Mar 2007)	1.95
Boustead Heavy Industries Corporation (MK: BHIC) (MYR 1,677.09 million)	Malaysia	Nil (4.97)	21.7	157.23 (past 12 mths)	10.38
Coastal Contracts Berhad (MK: COCO) (MYR 910.10 million)	Malaysia	13.55 (16.25)	19.94	150.68	4.53
Keppel Philippines Marine, Inc. (PM: KPM) (PHP 4,068.68 million)	Philippines	9.19	11.39	4.63 (Dec 2006)	0.66 (Dec 2006)
Grand Banks Yachts Limited (SP: GBY) (SG$ 81.24 million)	Singapore	12.77	6.92	8.15	1.07
SembCorp Marine Limited (SP: SMM) (SG$ 8,180.29 million)	Singapore	24.11 (23.80)	13.95	16.18	4.48
Labroy Marine Limited (SP: LBRY) (SG$ 2,347.78 million)	Singapore	Neg (19.25)	10.76	14.91	11.04

Company (Stock code) (Market capitalisation)	Listing Country	Price /Earnings Ratio (estimate)	Cost of Capital (%)	Price/ Cash Flow Ratio	Price/ Book Ratio
ASL Marine Holdings Limited (SP: ASL) (SG$ 404.08 million)	Singapore	8.50 (7.77)	13.70	9.94	2.28
Penguin Boat International Limited (SP: PBS) (SG$ 92.49 million)	Singapore	42.86	9.02	4.59	0.98
Marco Polo Marine Limited (SP: MPM) (SG$ 78.99 million)	Singapore	7.56	N/A	45.56	2.49
Yangzijiang Shipbuilding Holdings Limited* (SP: YZJ) (SG$5,182.40 million)	Singapore	44.02 (FY EPS) (33.19)	N/A	N/A	6.78
JES International Holdings Limited* (SP: JES) (705.45 million)	Singapore	17.16	N/A	N/A	20.20
Oriental Precision & Engineering Co., Ltd. (KS: 014940) (KRW 221,833.3 million)	South Korea	130.38 (FY EPS)	9.06	N/A	4.02
Hyundai Mipo Dockyard Co., Ltd. (KS: 010620) (KRW 4,720.00 billion)	South Korea	19.73 (FY EPS) (8.86)	15.12	4.17 (Dec 2006)	1.50
Hyundai Heavy Industries Co., Ltd. (KS: 009540) (KRW 28,994.00 billion)	South Korea	34.52 (FY EPS) (16.82	14.68	4.96 (Dec 2006)	2.14 (Dec 2006)
Daewoo Shipbuilding & Marine Engineering Co., Ltd. (KS: 042660) (KRW 7,665.20 billion)	South Korea	128.78 (FY EPS) (18.34)	14.95	8.30 (Dec 2006)	3.91
Daesun Shipbuilding & Engineering Co., Ltd. (KS: 031990) (KRW 90,270.40 million)	South Korea	4.25 (FY EPS)	12.65	1.91 (Dec 2006)	0.90
STX Shipbuilding Co., Ltd. (KS: 067250) (KRW 3,150.00 billion)	South Korea	63.13 (FY EPS) (14.73)	16.10	3.70 (Dec 2006)	3.66
Samsung Heavy Industries Co., Ltd. (KS: 010140) (KRW 7,722.78 billion)	South Korea	49.56 (FY EPS) (14.73)	14.51	3.68 (Dec 2006)	3.85
Asian Marine Services Public Company Limited (TB: ASIMAR) (THB 248.90 million)	Thailand	6.25	8.97	0.00	0.91

* With shipyard in China

By analysing the financial ratios of the companies that listed in the first tier and second tier, we arrived at the relevant valuation multiples for Jiangxi Jiangzhou Shipyard and based on the financial parameters made available to us to arrive at the indicated market value of the Appraised Asset.

Valuation Comments

As we are valuing the entire equity interest of Jiangxi Jiangzhou Shipyard, no control premium has been taken. By definition, ownership interests in closely held companies are typically not readily marketable, and, by definition not as liquid and as easily converted to cash compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. Numerous studies have been made showing that the Lack of Marketability ("LOM") discount for a closely held stock compared with a publicly traded counterpart averages between 25 per cent. and 50 per cent., and many different researchers have obtained these averages over a wide span of years. We opted to apply a LOM discount to the Appraised Asset for the sake of financial conservatism.

Matters that Might Affect the Value Reported

No allowance has been made in our valuation for any charges, mortgages, outstanding premium or amounts owing on the Appraised Asset. Also, no allowance has been made in our valuation for any expenses or depreciation or taxation, which may be incurred in effecting a sale of the Appraised Asset. Unless otherwise stated, it is assumed that the Appraised Asset is free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

In our valuation, we have assumed that the Appraised Asset is able to sell and purchase in the market without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported value significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

As at the Latest Practical Date of this circular, we are unable to identify any adverse news against the Appraised Asset which may affect the reported value in our report. Thus, we are not in the position to report and comment on its impact (if any) to the Appraised Asset. However, should it be established subsequently that such news did exist at the Date of Valuation, we reserve the right to adjust the value reported herein.

Inspections and Investigations

Company visit has been made to Jiangxi Jiangzhou Shipyard but not to INPAX. If any interested party in Jiangxi Jiangzhou Shipyard is proposing to purchase the Appraised Asset and wants to satisfy them as to the condition of it, then they should have their own visit and report of their own before deciding whether or not to enter into an agreement for sale and purchase.

Our valuation has been made on the assumption that no unauthorised alteration, extension or addition has been made in the property that occupied by INPAX and Jiangxi Jiangzhou Shipyard, and that the use of our report does not purport to be a building survey of the property. We have assumed that the property is free of rot and inherent danger or unsuitable materials and techniques.

Sources of Information and its Verification

For the purpose of valuing the Appraised Asset, we were furnished with various latest financial documents and other documents related to the Appraised Asset as a going concern business. These data have been utilised without further verification. We have had no reason to doubt the truth and accuracy of the information that we have been furnished. No responsibility or liability is assumed for the accuracy of the provided information.

Due to the purpose of this engagement and the market value basis of valuation, the management of the Company is requested to provide us the necessary documents to support the Vendor's title to the going concern business. In the course of valuation, we have been provided with copies of the documents regarding Jiangxi Jiangzhou Shipyard and the Appraised Asset, and these copies have been referenced without further verifying with the relevant bodies and/or authorities. Our procedures to value did not require us to conduct any searches or inspected the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not attorney of laws by nature, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the management of the Company.

We have relied solely on the information provided by the management of the Company or its appointed personnel without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, titles, easements, financial data, corporation status, business scope, assets and all other relevant matters.

Unless otherwise stated, we have not carried out a valuation on a redevelopment basis on any land that owned, directly or indirectly by Jiangxi Jiangzhou Shipyard (if any) and the study of possible alternative development options and the related economics do not come within the scope of our report.

We are not contracted to conduct a due diligence to review the existing shipbuilding industry in China. In the course of appraisal, we have solely depended on the advice given by the management of the Company. We are unable to accept any responsibility or liability for the reliability of the advice.

Our procedures to value did not include a detail physical inspection of the service facilities of Jiangxi Jiangzhou Shipyard and to prepare an error free asset list for the purpose of our valuation. In our valuation, we were instructed to rely on the information as contained in the balance sheet provide by the management of the Company, thus, we expressed no comment to the existence and the functional ability of the assets. No responsibility or liability is assumed from our part.

Information furnished by others, upon which all or portions of our report are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our report.

When we adopted the work products from other named or unnamed professions, external data providers and/or the management of the Company in our valuation, the assumptions and caveats adopted by them in arriving at their opinions also applies in our valuation. The procedures we have taken do not require us to examine all the evidences, like an auditor, in reaching at our opinion. As we have not performed an audit, we are not expressing an audit opinion in our valuation.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company. We have sought and received confirmation from the management of the Company that no material factors have been omitted from the information supplied. Our analysis and valuation are based upon full disclosure between us and the management of the Company of material and latent facts that may affect the appraisal.

Unless otherwise stated, all monetary amounts are in Renminbi Yuan ("RMB").

Limiting Conditions in This Summary Report

This report is provided strictly for the sole use of Company. Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Unless otherwise stated, the copyright of this report belongs to the valuer. Nonetheless, we consent to the publication of this report in this circular at today's date for the Company's shareholders' reference.

Our opinion of value in this report is valid only for the stated purpose at the Date of Valuation and only to the named company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and we accept no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or financial condition or other conditions, which occur subsequent to the date hereof.

Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our report except to the extent that any such loses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

Opinion of Value

Based on the above, and on the appraisal method employed, it is our opinion that as of the Date of Valuation, the market value of the entire equity interest of Jiangxi Jiangzhou Shipyard (before taking into consideration any transaction cost) is reasonably stated by the amount of RENMINBI TWO THOUSAND NINE HUNDRED AND FIFTY MILLION YUAN (RMB2,950,000,000.00).

Statements

Our opinion of value is based on generally accepted appraisal procedures and practices that rely extensively on assumptions and considerations, not all of which can be easily quantified or ascertained exactly. While we have exercised our professional judgement in arriving at the appraisal, the readers are urged to consider carefully the nature of such assumptions which are disclosed in our report and should exercise caution in interpreting our report.

Our valuation is prepared in line with the guidelines as contained in the IVS as well as the BVS and the HKIS Standards. The valuation has been undertaken by valuers, acting as external valuers, qualified for the purpose of the valuation.

We retain a copy of our report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of our report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without Company's authorisation and prior arrangement made with us. Moreover, we will add Company's information into our client list for our future reference.

We hereby certify that the fee for this service is not contingent upon our conclusion of value and we have no significant interest in the Appraised Asset, the Company or the value reported.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited
Ho Chin Choi, Joseph
BSc PgD RPS (GP)
Managing Director

CONTRIBUTING VALUERS

Rolando Arcaya *BSMC ASA*
Elsa Ng Hung Mui *BSc MSc RPS(GP)*
Sam Lai Siu Nam *BBA*
Terry Fung Chi Hang *BSc*

Notes:

1 Mr. Joseph Ho Chin Choi has been conducting asset valuations and advisory work in Hong Kong, Macau, Taiwan, mainland China, Japan, South East Asia, Australia, Germany, Scotland, Finland, Guyana, Canada and the United States of America for various purposes since 1988. He obtained the Examination Certificate of the Uniform Standards of Professional Appraisal Practice issued by the American Society of Appraisers in 1996. He has extensive experience in the valuation of various types of intangible assets and power plants, toll road, shipyards, health products and foodstuffs, mineral resources, retail and distribution, agricultural property assets, financial services, luxurious consumer goods, pharmaceutical and biotechnology, electronic consumer products manufactory, semiconductors, telecommunication, media and information technology related businesses for the listed companies in Hong Kong, Taiwan, Singapore, Canada and the United States of America. At present, he is a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors and a Registered Business Valuer registered with the Hong Kong Business Valuation Forum.

2. Mr. Rolando R. Arcaya is an Accredited Senior Member (ASA) of the American Society of Appraisers in the discipline of machinery and equipment valuation. He specializes in the valuation of machinery and equipment in power projects, light and heavy industrial manufacturing plants, consumer products manufacturing, forest products manufacturing and special assets like stock and inventories. Rolando has over 20 years of valuation experience of which over 18 years were spent in Hong Kong. He has valued a number of shipyards and vessels in China for various purposes including accounting and financing purposes.

3. Ms Elsa Ng Hung Mui has been conducting valuation of real estate properties in Hong Kong since 1994 and has more than 9 years of experience in valuing properties in mainland China. She obtained a Master Degree of Science in Finance and involved in various financial assets valuations in the past years. At present, she is a valuer in the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.

4. Mr Sam Lai Siu Nam has been conducting business enterprise, financial and intangible asset valuations in Hong Kong since graduation in 2006. He has experiences in valuing a wide variety of financial assets such as employee stock option, convertible bond, equity-linked note and financial guarantee contract and business enterprises such as mining, forestry, property development, toll road and commercial retail business for purposes like merger and acquisition, disposal and annual accounting. Note: A business enterprise is defined as a commercial, industrial, service, or investment entity, or a combination thereof, pursuing an economic activity.

5. Mr Terry Fung Chi Hang is a graduate surveyor who has been involved in valuation of real estate properties both in Hong Kong and in mainland China for more than 2 years. He obtained a Bachelor Degree in Estate Management and involved in various assets valuations, mine valuation and agriculture property assets valuation.

(A) **Property interest of the Group**

The following is the text of the letter and valuation certificate on property interest of the Group as at 30 November 2007 prepared by LCH (Asia-Pacific) Surveyors Limited for the purpose of inclusion in this circular.

利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
CHARTERED SURVEYORS
PLANT AND MACHINERY VALUERS
BUSINESS & FINANCIAL SERVICES VALUERS

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standards, Eighth Edition, 2007 (the "IVS") published by the International Valuation Standards Committee as well as the HKIS Valuation Standards on Properties, First Edition, 2005 (the "HKIS Standards") published by the Hong Kong Institute of Surveyors (the "HKIS"). Both standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. If additional documents and facts are made available, the valuer reserves the right to amend this report and its conclusions.

17th Floor
Champion Building
No. 287-291 Des Voeux Road Central
Hong Kong

6 February 2008

The Directors
Wonson International Holdings Limited
Unit 1201 on the 12th Floor
88 Gloucester Road
Wan Chai
Hong Kong

Dear Sirs,

In accordance with the instructions given by the management of Wonson International Holdings Limited (hereinafter referred to as the "Company") to us to value the property interest currently rented by the Company or its subsidiaries (collectively, hereinafter together with the Company referred to as the "Group") in Hong Kong (hereinafter referred to as "Subject Property"), we confirm that we have conducted physical inspections, made relevant enquiries and obtained such further information as we consider necessary to support our opinion of value of the Subject Property as at 30 November 2007 (hereinafter referred to as the "Date of Valuation") for the Company's internal management reference purpose and to be incorporated into a Company's circular for its shareholders' reference.

We understand that the use of our report (regardless of the format of presentation) would form part of the Company's circular and we have not been engaged to make specific sale or purchase recommendations. We further understand that the use of our work product will not supplant other due diligence which a rational investor should conduct in reaching business decisions regarding the Subject Property.

BASIS OF VALUATION AND ASSUMPTIONS

According to the IVS, which the HKIS Standards also follows, there are two valuation bases in valuing property, namely market value basis and valuation bases other than market value. Our valuation of the Subject Property is on market value basis.

The term "Market Value" is defined by the IVS and the HKIS Standards as "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".

The Subject Property is rented by the Group in Hong Kong and has no commercial value due mainly to the short-term nature of the tenancy agreement.

MATTERS THAT MIGHT AFFECT THE VALUE REPORTED

No allowance has been made in our valuation for any charges, mortgages, outstanding premium or amounts owing on the Subject Property. Unless otherwise stated, it is assumed that the Subject Property is free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

As at the Latest Practicable Date of this circular, we are unable to identify any adverse news against the Subject Property which may affect the reported value in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the Subject Property. However, should it be established subsequently that such news did exist at the Date of Valuation, we reserve the right to adjust the value reported herein.

ESTABLISHMENT OF TITLES

For the sake of valuation, we have been provided with extract of the tenancy agreements regarding the Subject Property, but we have not been provided with title documents regarding Subject Property. We have conducted title searches of the Subject Property in the Land Registry of Hong Kong, however, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any lease amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal title and the rights (if any) to the Subject Property valued. Any responsibility for our misinterpretation of the documents cannot be accepted.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTY IN ACCORDANCE WITH VS4 OF THE HKIS STANDARDS

We have conducted inspection to the exterior, and where possible, interior of the Subject Property in respect of which we have been provided with such information as we have requested for the purpose of our valuation. We have not inspected those parts of the Subject Property which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of the Subject Property and our work product should not be taken as making any implied representation or statement about the condition of the Subject Property. No structural survey, investigation or examination has been made, but in the course of our inspections, we did not note any serious defects in the Subject Property inspected. We are not, however, able to report that the Subject Property is free from rot, infestation or any other structural defects. No tests were carried out to the utilities (if any) and we are unable to identify those utilities covered, unexposed or inaccessible.

We have not carried out on-site measurements to verify the correctness of the area of the Subject Property, but have assumed that the area shown on the documents and handed to us are correct. All dimensions, measurements and areas are approximations.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the Subject Property, or has since been incorporated, and we are therefore unable to report that the Subject Property are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

SOURCES OF INFORMATION AND ITS VERIFICATION IN ACCORDANCE WITH VS5 OF THE HKIS STANDARDS

We have relied solely on the information provided by the management of the Company or its appointed personnel without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

The scope of valuation has been determined by reference to the property list provided by the management of the Company. The management of the Company has confirmed to us that it has no property interests other than those specified on the list supplied to us.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

When we adopted the work products from other professions, external data providers and the management of the Company in our valuation, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuation. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company or its appointed personnel. Also, we have sought and received confirmation from the management of the Company or its appointed personnel that no materials factors have been omitted from the information supplied. Our analysis and valuation are based upon full disclosure between us and the Company of material and latent facts that may affect the valuation. We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company or its appointed personnel. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Hong Kong dollars.

LIMITING CONDITIONS

Our opinion of value of the Subject Property in this report is valid only for the stated purpose and only for the Date of Valuation, and for the sole use of the named Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and the valuer accepts no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and local government policy and no obligation is assumed to revise the attached valuation certificate to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this circular to the Company's shareholders' reference.

Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our report except to the extent that any such loses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

The attached valuation certificate is prepared in line with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the guidelines contained in the HKIS Standards. The valuation has been undertaken by valuers, acting as external valuers, qualified for the purpose of the valuation.

We retain a copy of this report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Company's authorisation and prior arrangement made with us.

We hereby certify that the fee for this service is not contingent upon our conclusion of value and we have no significant interest in the Subject Property, the Company or the value reported.

The valuation certificate is attached.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited
Joseph Ho Chin Choi RPS (GP)
Managing Director

Contributing Valuers:
Elsa Ng Hung Mui RPS (GP)
Terry Fung Chi Hang BSc

Notes:

1. Mr. Joseph Ho Chin Choi has been conducting assets valuation (including real estate properties) and advisory work in Hong Kong, Macau, Taiwan, mainland China, Japan, South East Asia, Australia, Scotland, Germany, Finland, Guyana, Canada and the United States of America for various purposes since 1988. He has more than 19 years of experience in valuing real estate properties in mainland China. He is a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.

2. Ms Elsa Ng Hung Mui has been conducting valuation of real estate properties in Hong Kong since 1994 and has more than 9 years of experience in valuing properties in mainland China. She obtained a Master Degree of Science in Finance and involved in various financial assets valuations in the past years. At present, she is a valuer in the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.

VALUATION CERTIFICATE

Property rent and occupied by the Group in Hong Kong and valued on the basis of Market Value

Property	**Description and occupancy**	**Amount of valuations in its existing state attributable to the Group as at 30 November 2007** *HK$*
Unit No. 1201 on 12th Floor China Underwriters Centre No. 88 Gloucester Road Hong Kong	The property comprises an office unit on 12th Floor of a 22 storey office building which was completed in 1982. The lettable area of the property is approximately 2,888 sq.ft. (268.30 sq.m.). The property is leased to the Group for a term of 2 years commencing from 20 April 2007 to 19 April 2009 at a monthly rental of HK$69,312 exclusive of Government rent and management fee. The property is currently occupied by the Group for office purpose.	No Commercial Value

Notes:

1. The landlord of the property is CSI Investment Limited (currently change name to Areif Gloucester Limited), which is the current registered owner of the property.

2. The tenant of the property is Wealth Prospect Limited, which is a subsidiary of the Company.

(B) **Property interests of the INPAX Group**

The following is the text of the letter, summary of values and valuation certificate on property interests of the INPAX Group as at 30 November 2007 prepared by LCH (Asia-Pacific) Surveyors Limited for the purpose of inclusion in this circular.

利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
CHARTERED SURVEYORS
PLANT AND MACHINERY VALUERS
BUSINESS & FINANCIAL SERVICES VALUERS

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standards, Eighth Edition, 2007 (the "IVS") published by the International Valuation Standards Committee as well as the HKIS Valuation Standards on Properties, First Edition, 2005 (the "HKIS Standards") published by the Hong Kong Institute of Surveyors (the "HKIS"). Both standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. If additional documents and facts are made available, the valuer reserves the right to amend this report and its conclusions.

17th Floor
Champion Building
No. 287-291 Des Voeux Road Central
Hong Kong

6 February 2008

The Directors
Wonson International Holdings Limited
Unit 1201 on the 12th Floor
88 Gloucester Road
Wan Chai
Hong Kong

Dear Sirs,

In accordance with the instructions given by the management of Wonson International Holdings Limited (hereinafter referred to as the "Company") to us to value the property interests (hereinafter referred to as "Subject Properties") currently held by INPAX Technology Limited and its subsidiaries (collectively, hereinafter referred to as the "INPAX Group") in the People's Republic of China (hereinafter referred to as the "PRC" or "China"), we confirm that we have conducted physical inspections, made relevant enquiries and obtained such further information as we consider necessary to support our opinion of values of theSubject Properties as at 30 November 2007 (hereinafter referred to as the "Date of Valuation") for the Company's internal management reference purpose and to be incorporated into a Company's circular for its shareholders' reference.

We understand that the use of our report (regardless of the format of presentation) would form part of the Company's circular and we have not been engaged to make specific sale or purchase recommendations. We further understand that the use of our work product will not supplant other due diligence which a rational investor should conduct in reaching business decisions regarding the Subject Properties.

BASIS OF VALUATION AND ASSUMPTIONS

According to the IVS, which the HKIS Standards also follows, there are two valuation bases in valuing properties, namely market value basis and valuation bases other than market value. Our valuations of the Subject Properties are on market value basis.

The term "Market Value" is defined by the IVS and the HKIS Standards as "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".

There are three generally accepted approaches to value in arriving at the market value of a property on an absolute title basis, namely the Market Approach, the Cost Approach and the Income Approach. Having considered the general and inherent characteristics of the property in Group I, we have adopted the depreciated replacement cost ("DRC") approach which is an application of the Cost Approach in valuing specialised properties like the property in Group I. The use of this approach requires an estimate of the market value of the land use rights for its existing use, 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, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the properties. The land use rights of these properties have been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

The valuation of this property is on the assumption that the property is subject to the test of adequate potential profitability of the business having due regard to the values of the total assets employed and the nature of the operation.

By using this approach, the land should be assumed to have the benefit of planning permission for the replacement of the existing buildings and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing buildings and site works, and the extent to which these realise the full potential value of the land. When considering a notional replacement site, it should normally be regarded as having the same physical and location characteristics as the actual site, other than characteristics of the actual site which are not relevant, or are of no value, to the existing use. In considering the buildings, the gross replacement cost of the buildings should take into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are, at the date of valuation, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect buildings in the future but have the buildings available for occupation at the date of valuation, the work having commenced at the appropriate time.

We need to state that our opinion of value of the property in Group I is not necessarily intended to represent the amount that might be realised from disposition of land use rights or various buildings on piece meal basis in the open market.

In valuing the properties in Group II, we have adopted the comparable sales method of the Market Approach (also called sales comparison approach) on the assumption that the properties are sold with the benefit of vacant possession as at the Date of Valuation. The comparable sales method considers the sales, listings or offering of similar or substitute properties and related market data and establishes a value of a property that a reasonable investor would have to pay for a similar property of comparable utility and with an absolute title.

In valuing the Subject Properties, we have assumed that

1. the legally interested parties in the Subject Properties sell the Subject Properties in the market in their existing states without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the values of the Subject Properties;

2. the legally interested parties in the Subject Properties have free and uninterrupted rights to use or assign the property interests for the whole of the unexpired terms as granted and any premiums payable have already been fully paid; and

3. the Subject Properties can be freely disposed and transferred free of all encumbrances at the Date of Valuation for its existing or alternative uses in the market to both local and overseas purchasers without payment of any premium to the government.

Should this not be the case, it will have adverse impact to the values as reported.

MATTERS THAT MIGHT AFFECT THE VALUE REPORTED

No allowance has been made in our valuations for any charges, mortgages, outstanding premium or amounts owing on the Subject Properties. Unless otherwise stated, it is assumed that the Subject Properties are free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

As at the Latest Practicable Date of this circular, we are unable to identify any adverse news against the Subject Properties which may affect the reported values in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the Subject Properties. However, should it be established subsequently that such news did exist at the Date of Valuation, we reserve the right to adjust the values reported herein.

ESTABLISHMENT OF TITLES

Due to the market value basis of valuation, the management of the Company provided us the necessary documents to support that the legally interested parties in the Subject Properties have free and uninterrupted rights to assign the Subject Properties (in this instance, an absolute title) free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed. However, our procedures to value as agreed with the management of the Company did not required us to conduct legal due diligence on the legality and formality on the way that the legally interested parties obtained the Subject Properties from the relevant authorities. We agreed with the management of the Company that this should be the responsibility of the legal advisor to the management of the Company. Thus, no responsibility or liability is assumed from our part to the origin and continuity of the titles to the Subject Properties.

For the sake of valuation, we have been provided with copies of the title documents and legal opinions dated 18 January 2008 issued by 北京市凱鵬律師事務所, lawyers qualified to practice in China, (the "Legal Opinion") regarding the Subject Properties. According to the Legal Opinion, the legally interested parties have obtained full legal and beneficial title free from all encumbrances in respect of the Subject Properties. However, we have not inspected the original documents filed in the relevant authorities to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the Subject Properties. In the course of preparing our report, we have relied solely on the copy of the Legal Opinion with regards to the existing legally interested parties in the Subject Properties. No responsibility and liability is assumed in relation to those opinions or copies of documents.

In our valuation, we have assumed that the legally interested parties in the Subject Properties have obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested parties to continue the ownership of the Subject Properties. Should this not be the case, it will affect our conclusion in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

INSPECTIONS AND INVESTIGATIONS OF THE SUBJECT PROPERTY IN ACCORDANCE WITH VS4 OF THE HKIS STANDARDS

We have conducted inspection to the exterior, and where possible, interior of the Subject Properties in respect of which we have been provided with such information as we have requested for the purpose of our valuations. We have not inspected those parts of the Subject Properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of the Subject Properties and our work product should not be taken as making any implied representation or statement about the condition of the Subject Properties. No structural survey, investigation or examination has been made, but in the course of our inspections, we did not note any serious defects in the Subject Properties inspected. We are not, however, able to report that the Subject Properties are free from rot, infestation or any other structural defects. No tests were carried out to the utilities (if any) and we are unable to identify those utilities covered, unexposed or inaccessible.

We have not carried out on-site measurements to verify the correctness of the areas of the Subject Properties, but have assumed that the areas shown on the documents and handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the Subject Properties did not include an independent land survey to verify the legal boundaries of the Subject Properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of such properties that appeared on the documents handed to us. No responsibility from our part is assumed. The management of the Company or interested party in the Subject Properties should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the Subject Properties, or has since been incorporated, and we are therefore unable to report that the Subject Properties are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the Subject Properties and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the Subject Properties. We have not carried out any investigation into past or present uses, either of the Subject Properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the Subject Properties from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the Subject Properties or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value now reported.

SOURCES OF INFORMATION AND ITS VERIFICATION IN ACCORDANCE WITH VS5 OF THE HKIS STANDARDS

We have relied solely on the information provided by the management of the Company or its appointed personnel without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

The scope of valuations has been determined by reference to the property list provided by the management of the Company. All properties on the list have been included in our valuations. The management of the Company has confirmed to us that it has no property interests other than those specified on the list supplied to us.

Unless otherwise stated, we have not carried out any valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work product.

Our valuations have been made only based on the advice and information made available to us. While a limited scope of general inquiries had been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility and liability is assumed.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

When we adopted the work products from other professions, external data providers and the management of the Company in our valuations, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuations. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company or its appointed personnel. Also, we have sought and received confirmation from the management of the Company or its appointed personnel that no materials factors have been omitted from the information supplied. Our analysis and valuations are based upon full disclosure between us and the Company of material and latent facts that may affect the valuations. We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company or its appointed personnel. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Renminbi Yuan ("RMB").

LIMITING CONDITIONS

Our opinion of values of the Subject Properties in this report are valid only for the stated purpose and only for the Date of Valuation, and for the sole use of the named Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and the valuer accepts no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and local government policy and no obligation is assumed to revise the attached summary of values and the valuation certificate to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this circular to the Company's shareholders' reference.

Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our report except to the extent that any such loses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

The attached summary of values and the valuation certificate is prepared in line with the requirements contained in Chapter 5 and Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the guidelines contained in the HKIS Standards. The valuations have been undertaken by valuers, acting as external valuers, qualified for the purpose of the valuations.

We retain a copy of this report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Company's authorisation and prior arrangement made with us.

We hereby certify that the fee for this service is not contingent upon our conclusion of values and we have no significant interest in the Subject Properties, the Company or the values reported.

Our summary of values and the valuation certificate is attached.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited
Ho Chin Choi, Joseph
BSc PgD RPS (GP)
Managing Director

Contributing Valuers:
Elsa Ng Hung Mui RPS (GP)
Terry Fung Chi Hang BSc

Notes:

1. Mr. Joseph Ho Chin Choi has been conducting assets valuation (including real estate properties) and advisory work in Hong Kong, Macau, Taiwan, mainland China, Japan, South East Asia, Australian, Scotland, Germany, Finland, Guyana, Canada and the United States of America for various purposes since 1988. He has more than 19 years of experience in valuing real estate properties in mainland China. He is a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.

2. Ms Elsa Ng Hung Mui has been conducting valuation of real estate properties in Hong Kong since 1994 and has more than 9 years of experience in valuing properties in mainland China. She obtained a Master Degree of Science in Finance and involved in various financial assets valuations in the past years. At present, she is a valuer in the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.

SUMMARY OF VALUES

Group I — Property held and occupied by the INPAX Group under long-term title certificates in the PRC and valued on the basis of DRC

	Property	Interest attributable to the INPAX Group	Amount of valuations in its existing state attributable to the INPAX Group as at 30 November 2007
1.	Various buildings and structures of Jiangxi Jiangzhou Shipyard located at Xia Chao Hu, Ruichang City Jiangxi Province The People's Republic of China	100 per cent.	RMB810,760,000
	Sub-total		RMB810,760,000

Group II — Properties held and occupied by the INPAX Group in the PRC and valued on the basis of Market Value

	Property	Interest attributable to the INPAX Group	Amount of valuations in its existing state attributable to the INPAX Group as at 30 November 2007
2.	Unit 101 on the 6th Floor located at Lane No. 2 No. 64 Heng Feng Road, Shanghai City Shanghai The People's Republic of China	100 per cent.	No commercial value
3.	A commodity unit (East) on the 1st Floor, Nos. 4 - 6 Nansi Road Xunyang District Jiujiang City Jiangxi Province The People's Republic of China	100 per cent.	No commercial value
	Sub-total:		NIL
	Grand Total:		RMB810,760,000

VALUATION CERTIFICATE

Group I — Property held and occupied by the INPAX Group under long-term title certificates in the PRC and valued on the basis of DRC

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributable to the INPAX Group as at 30 November 2007
1.	Various buildings and structures of Jiangxi Jiangzhou Shipyard located at Xia Chao Hu Ruichang City Jiangxi Province The People's Republic of China	The property comprises 152 various major buildings and structures erected on a site having a site area of approximately 1,269,793.93 sq.m., plus a lake having a site area of approximately 1,317,550 sq.m.. (See Note 1 below) The total gross floor area of these buildings and structures is approximately 187,859.71 sq. m. and most of them were completed in 1970s. The major buildings and structures on the site include casting workshop, steel materials godown, mechanical and electrical equipment storage building, dockyard maintenance workshop, boiler room, machine processing workshop, pipe processing workshop, electrical and mechanical workshop, out-fitting section workshop, mechanical outfitting workshop, lofting workshop, container production line, steel cutting workshops, high-pressure vessel sub-assembling workshop, pipe testing building, ship assembly platform, shipbuilding berth, outfitting quay, main dock, pre-assembly area, ship- repairing platform, office buildings, dormitories, canteen and other ancillary buildings and structures. The property is subject to a right to use the lands for various terms till 22 November 2057 and 11 December 2057 for industrial purpose. (See Note 1 below).	The property is currently occupied by the INPAX Group for shipbuilding, ship-repairing, overhead traveling crane fabrication and other ship manufacturing purposes with supporting facilities.	RMB810,760,000 (100 per cent. interest)

Notes:

1. The right to possess the land is held by the State and the right to use the land have been granted by the State and transferred to Jiangxi Jiangzhou Lianhe Shipbuilding Limited Company (江西江州聯合造船有限責任公司) (hereinafter referred to as "Jiangxi Jiangzhou Shipyard"), through the following ways, they are:

   For lands having site area of approximately 1,169,361.13 sq.m.

   (i) Pursuant to a land transfer agreement and its supplementary agreement made between The Bureau of Land Resources of Ruichang City (瑞昌市國土資源局) and Jiangxi Jiangzhou Shipyard dated 18 August 2007, a parcel of land having a site area of 3,894.8 Chinese mu (approximately 4,596,556.32 sq.m.), together with a site area of 1,000 Chinese mu (approximately 666,670 sq.m.) in the second phase, were transferred to Jiangxi Jiangzhou Shipyard for the construction of workshop for Jiangxi Jiangzhou Shipyard.

(ii) Pursuant to a State-owned Land Use Rights Certificate known as Rui Guo Yong (2007) Di Q:103 Hao (瑞國用(2007)第 Q:103 號) issued by the People's Government of Ruichang City and dated 23 November 2007, the legally interested party in the land of the property having a site area of approximately 763,530.23 sq. m. is Jiangxi Jiangzhou Shipyard till 22 November 2057 for industrial purpose.

(iii) Pursuant to a State-owned Land Use Rights Certificate known as Rui Guo Yong (2007) Di Q:104 Hao (瑞國用(2007)第 Q:104號) issued by the People's Government of Ruichang City and dated 23 November 2007, the legally interested party in the land of the property having a site area of approximately 396,511 sq. m. is Jiangxi Jiangzhou Shipyard till 22 November 2057 for industrial purpose.

(iv) Pursuant to a State-owned Land Use Rights Certificate known as Rui Guo Yong (2007) Di Q:105 Hao (瑞國用(2007)第 Q:105號) issued by the People's Government of Ruichang City and dated 23 November 2007, the legally interested party in the land of the property having a site area of approximately 5,361.1 sq. m. is Jiangxi Jiangzhou Shipyard till 22 November 2057 for industrial purpose.

(v) Pursuant to a State-owned Land Use Rights Certificate known as Rui Guo Yong (2007) Di Q:106 Hao (瑞國用(2007)第 Q:106號) issued by the People's Government of Ruichang City and dated 23 November 2007, the legally interested party in the land of the property having a site area of approximately 3,958.8 sq. m. is Jiangxi Jiangzhou Shipyard till 22 November 2057 for industrial purpose.

For lands having site area of approximately 100,432.8 sq.m.

(vi) Pursuant to a State-owned Land Use Rights Certificate known as Yang Guo Yong (2007) Di 101033 Hao (陽國用(2007)第 101033號) issued by the People's Government of Yangxin County and dated 10 December 2007, the legally interested party in the land of the property having a site area of approximately 100,432.8 sq. m. is Jiangxi Jiangzhou Shipyard till 11 December 2057 for industrial purpose.

2. Pursuant to 152 various Realty Title Certificates issued by the Ruichang City Bureau of Housing Management (瑞昌市房地產管理局), the legally interested party in the various building and structures erected on the land as mentioned in Note 1 above having a total gross floor area of approximately 187,859.71 sq. m. is Jiangxi Jiangzhou Shipyard for workshop and ancillary facilities purposes.

3. According to the legal opinion as prepared by the Company's PRC legal adviser, 北京市凱鵬律師事務所, the following opinions are noted:

(i) Jiangxi Jiangzhou Shipyard has obtained the right to use the land legally by way of assignment and the land transfer agreement as mentioned in Note 1(i) cover the land mentioned in Notes 1(ii) to (v);

(ii) Jiangxi Jiangzhou Shipyard is the only legally interested party in the land as mentioned in Notes 1(ii) to (vi) and has the right to assign, lease or mortgage the property;

(iii) the land transfer agreement as mentioned in Note 1(i) includes a lake area of approximately 1,317,550 sq.m.. The land is administrative allocated in nature; and

(iv) the 152 various buildings and structures erected on the land, and hence the land of the property, is subject to a mortgage in favour of Jiujiang City Commercial Bank, Ruichang branch.

4. Since the land use rights of the lake area is administrative allocated in nature, no commercial value was assigned to the respective land use rights.

Group II — Properties held and occupied by the INPAX Group in the PRC and valued on the basis of Market Value

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributable to the INPAX Group as at 30 November 2007
2.	Unit 101 on the 6th Floor located at Lane No. 2 No. 64 Heng Feng Road Shanghai City Shanghai The People's Republic of China	The property comprises an residential unit on the 1st Floor of a 6-storey residential building having a gross floor area of approximately 42.98 sq.m. The property was completed in 1995. No specified land use terms stated in the Building Ownership Certificate.	We have inspected and confirmed the INPAX Group that the property as at the date of valuation was occupied by the Group for office purpose.	No commercial value

Notes:

1. According to a Building Ownership Certificate known as Hu Fang Di Zha Zi (2000) Di 026606 Hao (滬房地閘字(2000)第 026606 號) issued by the Shanghai Municipal Housig, Land and Resource Administration Bureau (上海市房屋土地資源管理局) dated 8 November 2000, the legally interest party in the property is Dai Mei Jun (戴美君).

   Pursuant to an agreement between Dai Mei Jun and Jiangxi Jiangzhou Shipyard dated 8 December 2000, Dai Mei Jun purchased the property on behalf of Jiangxi Jiangzhou Shipyard.

2. According to the legal opinion as prepared by the Company's PRC legal adviser, 北京市凱鵬律師事務所, Jiangxi Jiangzhou Shipyard has not applied for a new certificate under its name. Hence, no commercial value was assigned to the property.

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state as at 30 November 2007
3.	A commodity unit (East) on the 1st Floor Nos. 4 - 6 Nansi Road Xunyang District Jiujiang City Jiangxi Province The People's Republic of China	The property comprises a commodity unit on the 1st Floor of a 7-storey commodity building which was completed in 1994. The property has a total gross floor area of approximately 83.43 sq. m. No specified land use terms stated in the Building Ownership Certificate.	We have confirmed the INPAX Group that the property as at the date of valuation was occupied by the Group for office purpose.	No commercial value

Notes:

1. According to a Building Ownership Certificate known as Xun Shang Fang Zi 0003 Hao (潯商房字 0003 號) dated 27 November 1989, the legally interest party in the property is State-owned Jiangzhou Shipbuilding Factory (國營江州造船廠).

2. According to a certificate (房屋共有權保持証) known as Lu Fang Zheng Zi Di 020031 Hao (廬房証字第 020031 號) issued by Bureau of Housing Management (房地產管理局) dated 14 December 1993, the legally interest party in the property is Jiangxi Jiangzhou Shipyard.

3. According to the legal opinion as prepared by the Company's PRC legal adviser, 北京市凱鵬律師事務所, the following opinions are noted:

   (i) Jiangxi Jiangzhou Shipyard has obtained the property from State-owned Jiangzhou Shipbuilding Factory; and

   (ii) Jiangxi Jiangzhou Shipyard has not applied for a new certificate under its name. Hence, no commercial value was assigned to the property.

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. SHARE CAPITAL

The authorized and issued share capital of the Company as at the Latest Practicable Date were, and immediately following Completion (assuming the conversion rights of the Convertible Notes will be exercised in full) will be, as follows:

Authorised		*HK$*
250,000,000,000	Shares as at the Latest Practicable Date	250,000,000.00
Issue and fully paid or credited as full paid:		
17,198,806,126	Shares as at the Latest Practicable Date	17,198,806.13
20,000,000,000	Conversion Shares to be issued upon exercise in full of the conversion rights of the Convertible Notes	20,000,000.00
37,198,806,126	Shares immediately following Completion assuming the conversion rights of the Convertible Notes will be exercised in full	37,198,806.13

All of the Shares in issue rank pari passu in all aspects, including all rights as to dividend, voting and interest in capital, among themselves and with all other Shares in issue on the date of issue.

The Conversion Shares shall rank pari passu with all the Shares in issue in all aspects, including all rights as to dividend, voting and interest in capital, among themselves and with all other Shares in issue on the date of issue.

3. DISCLOSURE OF INTERESTS

(A) Interests of Directors and Chief Executive

(a) As at the Latest Practicable Date, none of the Directors or nor the chief executive of the Company, as at the Latest Practicable Date, had or was deemed to have any interests or short positions in the Shares and underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required 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 they were taken or deemed to have under such provisions of the SFO): or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

(b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2006 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and

(c) As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement which was significant in relation to the business of the Enlarged Group.

(B) **Substantial Shareholders**

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares and underlying shares and debenture of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to section 336 of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any member of the Enlarged Group:

Name of shareholder	Long/Short position	Capacity	Number of shares held	Number of underlying shares (convertible notes) held	Approximate percentage of the issued shares held
Million King Investments Limited	20,000,000,000(L)	Beneficial Owner	—	20,000,000,000	116.29(L)

Save as disclosed above, according to the register kept by the Company under section 336 of the SFO and so far as was known to the Directors, there was no other persons (other than the Directors or chief executive of the Company as disclosed in the above) who, as at the Latest Practicable Date, had interests or short positions in the Shares and underlying shares and debenture of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part

XV of the SFO, or recorded in the register kept by the Company pursuant to section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Enlarged Group.

4. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against the Company or any member of the Enlarged Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware none of the Directors or their respective associates had any interest in a business which competes or it likely to compete with the business of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) had been entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(a) a placing agreement dated 15 March 2007 entered into between the Company and a placing agent, Taifook Securities Company Limited, for placement of 100,000,000 new shares at a price of HK$0.16 per new share on a fully underwritten basis;

(b) a placing agreement dated 15 March 2007 entered into between the Company and a placing agent, Taifook Securities Company Limited, for placement of 500,000,000 new shares at a price of HK$0.16 per new share on a best effort basis; and

(c) a placing agreement dated 15 March 2007 entered into between the Company and a placing agent, Taifook Securities Company Limited, for placement of convertible notes issued by the Company in an aggregate principal amount of HK$150,000,000 on a best effort basis. The convertible notes were unsecured and bore interest at 4% per annum, payable upon one year from the date of issue.

(d) the Acquisition Agreement dated 5 November 2007 and the Supplemental Acquisition Agreement dated 21 January 2008.

Save as aforesaid, no material contracts (not being contracts entered into in the ordinary course of business carried on by the Enlarged Group) have been entered into by any member of the Enlarged Group within the two years preceding the date of this circular.

8. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to Bye-law 66, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:-

(a) by the chairman of such meeting; or

(b) by at least three members present in person (or in the case of a member being a corporation by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or

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

(d) by a member or members present in person (or in the case of a member being a corporation by its duly authorized representative) or by proxy and holding shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

9. EXPERTS AND CONSENTS

(a) The following are the qualifications of the experts who have given opinions and advice which are included in this circular:

Name	**Qualification**
Shu Lun Pan Horwath Hong Kong CPA Limited	Certified public accountant
LCH (Asia-Pacific) Surveyors Limited	Chartered Surveyors

(b) As at the Latest Practicable Date, none of the experts above has any shareholding, directly or indirectly, 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.

(c) Each of the experts above has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.

(d) None of the experts above has any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Enlarged Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 December 2006, the date to which the latest published audited consolidated financial statements of the Group were made up.

10. MISCELLANEOUS

(a) The qualified accountant of the Company is Chan Mei Kuen, Cleopatra, who is a member of the Hong Kong Institute of Certified Public Accountants.

(b) The company secretary of the Company is Ngai Man Wo, who is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

(c) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the head office and principal place of business of the Company in Hong Kong is at Unit 1201, 12/F., 88 Gloucester Road, Wanchai, Hong Kong.

(d) The principal share registrars and transfer office of the Company in Bermuda is The Bank of Bermuda Limited, Bank of Bermuda Building, 6 Front Street, Hamilton HM11, Bermuda.

(e) The branch share registrar of the Company in Hong Kong is Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(f) In the event of inconsistency, the English text of this circular and form of proxy shall prevail their respective Chinese texts.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit 1201, 12/F., 88 Gloucester Road, Wanchai, Hong Kong during normal business hours on any weekday other than public holidays from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for the years ended 31 December 2005 and 2006;

(c) the interim report of the Company for the six months ended 30 June 2007;

(d) the accountants' report on INPAX Group as set out in Appendix II to this circular;

(e) the accountants' report on Jiangxi Jiangzhou Shipyard as set out in Appendix III to this circular;

(f) the letter from Shu Lun Pan Horwath Hong Kong CPA Limited, regarding the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;

(g) the written statement setting out the adjustments made in arriving at the figures shown in IV above;

(h) the valuation report prepared by LCH (Asia-Pacific) Surveyors Limited in relation to the valuation on the INPAX Group, the text of which is set out in Appendix V to this circular;

(i) the valuation reports prepared by LCH (Asia-Pacific) Surveyors Limited in relation to the valuation on property interests of the Enlarged Group, the text of which is set out in Appendix VI to this circular;

(j) the letters of consents referred to under the paragraph headed "Experts and consents" in this Appendix; and

(k) the material contracts referred to under the paragraph headed "Material contracts" in this Appendix.

WONSON INTERNATIONAL HOLDINGS LIMITED

(和成國際集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock code: 00651)

NOTICE OF SPECIAL GENERAL MEETING

Notice is hereby given that a special general meeting of Wonson International Holdings Limited (the "Company") will be held at 10:00 a.m. on 22 February 2008 at Macau Jockey Club, Function Room, 1/F., China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:—

ORDINARY RESOLUTIONS

1. "**THAT** the Acquisition Agreement (the "Acquisition Agreement") dated 5 November 2007 and the Supplemental Acquisition Agreement dated 21 January 2008 (the "Supplemental Acquisition Agreement") entered into between Million King Investments Limited (the "Vendor") as vendor, the Company as purchaser and Mr. Yiu and Mr. Hei, as guarantors, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the entire issued share capital of INPAX Technology Limited (a copy of which is produced at this meeting and marked "A" and signed by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed and that the directors of the Company be and are hereby authorized to implement all the transactions referred to in the Acquisition Agreement and the Supplemental Acquisition Agreement and to do all such acts and things and execute all such documents in its absolute discretion as it deems fit or appropriate to give effect to the Acquisition Agreement and the Supplemental Acquisition Agreement and the arrangements contemplated thereunder."; and

2. "**THAT** subject to and conditional upon (a) the granting by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") of the listing of, and permission to deal in, the Conversion Shares (as defined below); and (b) the Company obtaining all consents and approvals (if required) from the Stock Exchange for the issue of the Convertible Notes (as defined in the Acquisition Agreement), the issue of up to 20,000,000,000 shares of HK$0.001 each (the "Conversion Shares") in the share capital of the Company upon exercise of the conversion rights attaching to the Convertible Notes up to an aggregate principal amount of HK$3,000 million be and is hereby approved and the Directors be and are hereby authorised to allot and issue the Conversion Shares pursuant to and in accordance with the terms and conditions of the

Convertible Notes and to do all such acts and things as they consider necessary or expedient in connection with the issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Notes."

By Order of the Board
Wonson International Holdings Limited
Chau On Ta Yuen
Director

Hong Kong, 6 February 2008

Principal place of business in Hong Kong
Unit 1201, 12/F.,
88 Gloucester Road,
Wanchai,
Hong Kong

Notes:

1. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

3. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote. Completion and delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting convened or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. Where there are joint holders of any share any one of such joint holder may vote either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

* *For identification purposes only*