BUSINESS REVIEW

Review of Operation and Results

Net loss attributable to shareholders for the year was approximately US$10.3 million. Basic loss per share decreased from 3.68 US cents to 1.25 US cents. The net liability value per share was 1.86 cents. Turnover for the year amounted to US$74.5 million. The decrease in turnover is mainly due to disposal of several subsidiaries in 1999. The gross margin percentage increased significantly as the Group adjusted the product mix to higher gross-margin products during the year.

Liquidity and Financial Resources

As at year end, the total shareholders' deficit of the Group was approximately US15.4 million.

The total bank and other borrowings as at 31 December 2000 were approximately US$68.7 million. This comprised outstanding secured and unsecured bank loans, other bank loans, overdrafts, import and export loans which are mainly denominated in Reminbi and US$. In April 2001, approximately US$48.8 million of total borrowings were released upon completion of restructuring proposals.

As at 31 December 2000, the net cash balances of the Group stood at approximately US$2.6 million. The gearing ratio of the Group (total borrowing as a percentage of total assets) was approximately 80.5%. Upon completion of restructuring proposals, the gearing ratio decrease to approximately 28.5%.

Capital Structure

Subsequent to the year end, the issued share capital had been reduced from US$16,568,966 to US$828,448 by cancelling an amount of US$0.019 on each issued share of US$0.02 of the Company such that the nominal value of each share of the Company in issue shall become US$0.001.

Totalling of 5,961,742,317 shares and 1,346,051,326 warrants were issued and allotted to various parties involving in the restructuring proposals, inter alia, Compromise Agreement , Subscription Agreement and Participation Offer.

On 30 March 2001, upon completion of restructuring proposals, the subscription by the Investor pursuant to the Subscription Agreement provided funding of US$10 million to the Group and US$6 million was used for repayments to the bank creditors. The remaining US$4 million will be utilised as additional working capital for the Group.

In April 2001, the Participation Offer raised approximately HK$10.8 million before expenses all of which will be used as general working capital for the Group.

Pledge of Assets

Certain of the Group's property, plant and equipment were used to secure the banking facilities of the Group. Details of charges on the Group's assets are set out in note 38 to the financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2000, the Group employed approximately 2,900 full time management, administrative and production staff in the PRC and in Hong Kong. The Group remunerates its employees based on their experience, performance and prevailing industry practice.

For the details of directors' and employees' emoluments, please refer to note 9 to the financial statements.

CHANGE OF NAME

To better reflect the restructure Group's business focus, the Company's name was changed from Ta Fu International Holdings Limited to Fulbond Holdings Limited, a name which the Board believed will be in keeping with its strategy to aim at a higher level of technology in future.

PROSPECTS

Looking ahead, the Group will continue with its existing timber business. The Group may consider introducing high technology business opportunities as potential acquisitions for Fulbond to assist it to widen its revenue base. The businesses of Fulbond will be divided into two distinct business units: the existing timber business and other high technology related businesses.

APPRECIATION

On behalf on the Board, I would like to take this opportunity to extend my sincere thanks to our shareholders, fellow and ex-directors, staff, customers, suppliers and business associates for their continuous support to the Group. We look forward to a better set of results in the year ahead.

By Order of the Board

Yang Ding-Yuan
Chairman