fulbond

福邦控股

Fulbond Holdings Limited

福邦控股有限公司*

(Stock Code: 1041)

* For identification purpose only

ANNUAL REPORT 2007

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Zhang Xi *(Chairman)*
Ms. Zhang Huafang
Mr. Cai Duanhong
Ms. Catherine Chen *(Managing Director)*

Independent Non-executive Directors:

Mr. Hong Po Kui, Martin
Mr. Yam Tak Fai, Ronald
Mr. Wong Man Hin, Raymond

BOARD COMMITTEES

Audit Committee

Mr. Yam Tak Fai, Ronald *(Chairman)*
Mr. Wong Man Hin, Raymond
Mr. Hong Po Kui, Martin

Remuneration Committee

Mr. Hong Po Kui, Martin *(Chairman)*
Mr. Wong Man Hin, Raymond
Mr. Yam Tak Fai, Ronald
Mr. Zhang Xi

COMPANY SECRETARY

Mr. Ho Yee Kee, Ricky

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISER

Richards Butler in association with Reed Smith LLP

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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The Center
99 Queen's Road Central
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

1041

WEBSITE

www.fulbond.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my pleasure to you to present the financial results of Fulbond Holdings Limited (the "Company") and its subsidiaries (collectively referred as the "Group") for the financial year ended 31 December 2007.

FINANCIAL RESULTS

Turnover of the Group for the year ended 31 December 2007 was approximately US$24,016,000, representing a decrease of approximately 8.7% from approximately US$26,308,000 in last year. The decrease was mainly caused by the decrease in turnover of particle board and the disposal of the manufacturing and trading non-profitable businesses of blockboard, plywood-based products, decoration wooden products and other wooden products. In addition, the loss of the Group for the year ended 31 December 2007 increased to approximately US$8,766,000, representing an increase of approximately 5.7% as compared to the previous year. Such loss was owing to the increase in selling and distribution costs, which reflects the challenging operating environment of the Group of rising production costs and high competition in the timber industry. The basic loss per share was US0.08 cent (2006: US0.08 cent). During the reporting period, the business environment remained unfavorable with a constant appreciation of renminbi and a rise in raw materials and labor costs. In order to keep the competitive level of the Group, the Group has to keep the price at a reasonable level. Nevertheless, the inflated cost is difficult to mark up to the customers. We will identify various methods to maintain the Group's competencies and the financial position in the coming future.

BUSINESS REVIEW

Timber business

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

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

CHAIRMAN'S STATEMENT

Development of new business line

In order to capture an opportunity to develop a new line of business in the food processing industry to the Group, Fulbond Investments Limited, a wholly-owned subsidiary of the Company ("Fulbond Investments") entered the agreement and the supplemental deed with, among others, Sun Boom Limited ("Sun Boom"), pursuant to which Fulbond Investments has conditionally agreed to purchase and the Vendor has agreed to sell the 20% of the entire enlarged issued share capital of Prowealth Holdings Group Limited, a company and its subsidiaries of which are engaged in seafood trading and seafood processing business in the PRC. The total consideration of the acquisition is HK$121,000,000 and will be satisfied by way of issue of the secured convertible note with an aggregate principal amount of US$3,700,000 to Sun Boom on 22 February 2008 and 27 February 2008. Details of the acquisition are set out in the circular of the Company dated 22 April 2008.

Issue of unlisted warrants

To raise further capital for the Company in that it will not have an immediate dilution effect in the shareholding of the existing shareholders, the Company issued and placed 1,500,000,000 unlisted warrants to not less than six independent placees on 28 January 2008. The Company will rise approximately HK$111,000,000 and the net proceeds were utilised as general working capital of the Group and future development of the existing businesses of the Group.

Issue of convertible note

On 22 February 2008, the Company entered into the subscription agreement with an independent third party, Sun Boom in relation to the subscription of the secured convertible note with an aggregate principal amount of US$3,700,000. The net proceeds from the issue of the convertible note is approximately HK$26,680,000 and was utilised as general working capital of the Group and/or any suitable investment(s).

FUTURE PLANS AND PROSPECTS

The Board believe that the Group will be able to broaden its source of income by diversifying its business into seafood trading and processing business in the PRC and improve the profitability by broadening its business scope. Looking forward, the Group will continue to strengthen its financial situation and expand its revenue base. On the other hand, the Group will continue to reengineer the business operations and turn around our business through implementation of the restructuring of management and business operations. To improve efficiency and productivity, the management will continue to implement the cost control measures and consolidation of the Group's resources and capture every good opportunity in all old and new businesses. The Group will also strive to enhance the shareholder's value through identify various and feasible business opportunities.

APPRECIATION

I would like to take this opportunity to express my sincere appreciation to our shareholders, directors and customers for their continuous support. Though it has been a challenging year in 2007, we are grateful to our employees for their exert efforts. We look forward to their contributions delivering dynamic growth to the Group.

Zhang Xi
Chairman
Hong Kong, 25 April 2008

MANAGEMENT DISCUSSION AND ANALYSIS

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

As at 31 December 2007, the bank balances and cash of the Group was approximately US$6,888,000 (2006: US$3,661,000). The bank balances and cash comprise cash and short-term bank deposits with original maturity of three months or less, and carry interest ranging from 0.57% to 2.4% per annum.

FINANCE COSTS

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

CHARGES OVER ASSETS

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

CAPITAL STRUCTURE

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

CONTINGENT LIABILITIES

During the year ended 31 December 2007, Jilin Province Fuchun Timber Co., Ltd. ("Jilin Fuchun") has ceased its operation. Jilin Fuchun shall lay off its employees and expose to a maximum compensation payment of approximately RMB7,307,000 (equivalent to approximately US$1,013,000) based on management's estimation and relevant provisions of the PRC employment laws. The Group has recognised such liability of approximately US$1,013,000 by charging the amount as an expense to the consolidated income statement for the year ended 31 December 2007 (please refer to note 30 to the consolidated financial statements). Subsequent to 31 December 2007, the Group has made compensation payments to certain employees of Jilin Fuchun amounted to approximately RMB666,000 (equivalent to approximately US$92,000).

EMPLOYEES AND REMUNERATION

As at 31 December 2007, the Group employed 800 full time management, administrative and production staff in the PRC and Hong Kong. Total staff costs including Directors' emoluments incurred during the year, amounted to US$7,231,000 (2006: US$1,651,000). The increase in staff costs is mainly due to the Group has made compensation payments to certain employees of Jilin Fuchun and recognised a maximum compensation payment of RMB7,307,000 (equivalent to US$1,013,000) by charging the amount as an expense to the consolidated income statement for the year ended 31 December 2007.

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

DISPOSALS OF ASSOCIATED COMPANIES AND FIXED ASSETS

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

On 13 September 2007, Ta Fu Timber Company Limited ("Ta Fu"), a wholly-owned subsidiary of the Company, and Hubei Timber Group Company Limited ("Hubei Timber") entered into an agreement pursuant to which Hubei Timber agreed to acquire and Ta Fu Timber agreed to dispose a 48% interest in Hubei Fuhan Timber Company Limited ("Hubei Fuhan") at a consideration of RMB2,000,000 (approximately HK$2,060,000). Upon completion of the disposal, Hubei Fuhan ceased to be an associated company of the Company. Details of the disposal are set out in the circular of the Company dated 15 October 2007.

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

ACQUISITION OF SEAFOOD TRADING AND PROCESSING BUSINESS

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

SHARE CAPITAL

Subsequent to the financial year ended 31 December 2007, the Company issued and placed 1,500,000,000 unlisted warrants to not less than six independent placees on 21 January 2008. The Company will rise approximately HK$111,000,000 and the net proceeds will be utilised as general working capital of the Group and future development of the existing businesses of the Group. Details of the placing is set out in the announcement of the Company dated 27 December 2007.

Further, the Company entered into the subscription agreement with an independent third party, Sun Boom in relation to the subscription of the convertible note with an aggregate principal amount of US$3,700,000. The net proceeds from the issue of the convertible note of approximately HK$26,680,000 will be utilised as general working capital of the Group and/or any suitable investment(s).

As at 31 December 2007, the Company had 9,197,779,755 shares in issue with total shareholders' fund of the Group amounted to approximately US$6,508,000.

BIOGRAPHICAL DETAILS OF THE DIRECTORS

Biographical details of the Directors are set out as follows:

DIRECTORS

Executive Directors

Mr. Zhang Xi ("Mr. Zhang"), aged 40, is the Group's chairman and a member of the remuneration committee of the Company. Mr. Zhang obtained a bachelor degree in economics from the University of Xiamen, People's Republic of China ("PRC") in 1990. He has extensive experience in private equity investments in the PRC. Mr. Zhang set up Great Time Holdings Limited in Hong Kong in 1999, the principal business of which includes investments in a mechanical electrical engineering company in Fuzhou, China, which is engaged in manufacturing of power machine equipment, electrical equipment, food processing equipment, the design and process of the relevant components and after-sale services and in a high technology company in Beijing, which is engaged in research, development and manufacturing of smart construction materials. He is the brother of Ms. Zhang Huafang and the brother-in-law of Mr. Cai Duanhong.

Ms. Zhang Huafang ("Ms. Zhang"), aged 34, is the executive Director. She has extensive experience in investment in the PRC. Ms. Zhang and Mr. Cai Duanhong own a company in Xiamen, PRC, which is principally engaged in private investments in the PRC. Ms. Zhang studied in the University of Xiamen, PRC and majored in international trading during the period from 1991 to 1995. Ms. Zhang is a sister of Mr. Zhang.

Mr. Cai Duanhong ("Mr. Cai"), aged 42, is the executive Director. He has extensive experience in property development and investment in the PRC. Mr. Cai set up Smart Hero (HK) Investment Development Limited in Hong Kong in 2002 which is principally engaged in investments in property development, hotels and hospitals in the PRC. Mr. Cai is the husband of Ms. Zhang.

Ms. Catherine Chen ("Ms. Chen"), aged 48, is the managing director of the Group and the executive Director. She has extensive experience in project investment, marketing research and the provision of consultancy services in relation to businesses of foreign enterprises in the PRC. She obtained a master of business administration (marketing) degree from The University of Liverpool in 2001.

BIOGRAPHICAL DETAILS OF THE DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hong Po Kui, Martin ("Mr. Hong"), aged 59, is the chairman of the remuneration committee and a member of the audit committee of the Company. Mr. Hong is a practicing solicitor and a notary public in Hong Kong. He has been practicing as a solicitor of the High Court of Hong Kong for more than 30 years and is the senior partner of Messrs. Lau, Chan & Ko, Solicitors. He also holds a bachelor degree in science from University of New South Wales in Australia.

Mr. Yam Tak Fai, Ronald ("Mr. Yam"), aged 51, is the chairman of the audit committee and a member of the remuneration committee of the Company. He is a partner in RSM Nelson Wheeler, Certified Public Accountants in Hong Kong. Mr. Yam is a member of the Institute of Chartered Accountants of England and Wales, a fellow member of the Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong. Mr. Yam has more than 30 years' experience in accounting and auditing, and is currently a holder of a Practising Certificate issued by Hong Kong Institute of Certified Public Accountants. He commenced accounting practice in 1977 and became a partner of RSM Nelson Wheeler in January 1999.

Mr. Wong Man Hin, Raymond ("Mr. Wong"), aged 42, a member of audit and remuneration committee of the Company. Mr. Wong is a member of American Institute of Certified Public Accountants, a Certified Management Accountant (CMA) and holds a certificate in financial management (CFM). He holds a bachelor's degree in chemical engineering and a master degree in economics.

CORPORATE GOVERNANCE REPORT

The Board considers that good corporate governance of the Company is crucial to safeguard the interests of the Shareholders and enhancing the performance of the Group. The Board is committed to maintain and ensure high standards of corporate governance and will continuously review and improve the corporate governance practice and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner. During the year, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Throughout the year ended 31 December 2007, the Company has compiled with code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules.

1. THE BOARD

The Directors, individually and collectively, are committed to act in good faith in the best interests of the company and its shareholders. As at the date of this report, the Board is comprised of four executive directors and three independent non-executive directors.

The Board is responsible for the management of the business and affairs of the Group with the objective of enhancing shareholder value and presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in the annual and interim reports, and of other price-sensitive announcements and accounting policies, and reports to regulators any information required to be disclosed pursuant to statutory requirement.

The Board has fiduciary duty and statutory responsibility towards the Company and the Group. Other responsibilities include formulation of the Group's overall strategy and policies, setting of corporate and management targets and key operational initiatives, monitoring and control of operational and financial performance, and approval of budgets and major capital expenditures, major investments, material acquisitions and disposals of assets, corporate or financial restructuring, significant operational, financial and management matters.

The Board delegates day-to-day management of the business of the Group to the management of the relevant principal subsidiaries and certain specific responsibilities to audit committee and remuneration committee. The composition and functions of each committee are described below. These committees have specific functions and authority to examine issues and report to the Board with their recommendations, (if appropriate). The final decision rests with the Board, unless otherwise provided for in the term of reference of the relevant committee.

1. THE BOARD *(CONTINUED)*

The company secretary of the Company ("Company Secretary") provides the Directors with updates on developments regarding the Listing Rules and other applicable regulatory requirements. Any director may request the Company Secretary to organise independent professional advice at the expense of the Company to assist the Directors to effectively discharge their duties to the Company.

The independent non-executive directors of the Company ("INEDs") serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Each of the INEDs provides an annual confirmation of his independence to the Company. The Board considers that each of the INEDs is independent in character and judgment and that they all meet the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

All Directors have access to the advice and services of the Company Secretary in respect of compliance with board procedures, and all applicable rules and regulations. All Directors are regularly updated on governance and regulatory matters. There is an established procedure for Directors to obtain independent advice where necessary at the expense of the Company in discharging of their duties to the Company.

The Board meets at least four times each year to review the overall strategy and to monitor the operation as well as the financial performance of the Group. Additional meetings may be convened to approve any discloseable or major transaction and shares issuance. Notice of at least fourteen days is served for regular board meetings. Reasonable notice would be given for all other special board meetings which are not held regularly. The Chairman is primarily responsible for drawing up and approving the agenda for each board meetings in consultation with all Directors and ensure that all Directors are properly briefed on issues arising at board meetings. Agenda and accompanying board papers in respect of board meetings are sent out in full to all Directors within a reasonable time before the date of every board meetings to allow them to review these documents in advance. Minutes of all board meetings, and meetings of the remuneration committee and the audit committee are kept by the Company Secretary and the Directors may inspect these minutes at any time during office hours upon giving reasonable notice. Minutes of all board meetings, and meetings of the remuneration committee and the audit committee, have recorded in sufficient detail the matters considered by the Board and the board committees, including any concerns raised by Directors or dissenting view expresses. Draft and final versions of these are sent to all Directors for their comment and records respectively, normally within 5 days after the relevant meeting was held.

1. THE BOARD *(CONTINUED)*

The following is an attendance record of the Board meetings held by the Board during the year:

Name of Board member	Number of meetings attended	Attendance Rate
Executive Directors		
Mr. Zhang Xi	8/8	100%
Ms. Zhang Huafang	8/8	100%
Mr. Cai Duanhong	8/8	100%
Ms. Catherine Chen	8/8	100%
Independent Non-executive Directors		
Mr. Hong Po Kui, Martin	8/8	100%
Mr. Yam Tak Fai, Ronald	8/8	100%
Mr. Wong Man Hin, Raymond	8/8	100%

The Directors acknowledge that they are responsible for preparing accounts for each financial period on a going concern basis, with supporting assumptions or qualification as necessary.

2. CHAIRMAN AND MANAGING DIRECTOR

Mr. Zhang Xi is the Chairman of the Company ("Chairman") and Ms. Catherine Chen is the managing director of the Company ("Managing Director"). Provision A.2.1. of the Code stipulates that the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. However, the Company does not name any officer with the title of "Chief Executive Officer" at present. The roles of the Chairman and the Managing Director are segregated. Ms. Catherine Chen assumed the position of "Chief Executive Officer" and she is responsible for managing and smoothing the business operations of the Group. The Chairman is responsible for leading the Board in the overall strategic development of the Group. The Chairman and the Managing Director are two separate individuals and have no relationship with each other. The Board believes that there is an effective segregation of duties between the Chairman and the Managing Director.

3. BOARD COMPOSITION

The Board currently comprises of the following four executive Directors and three independent non-executive Directors:

Executive Directors

Mr. Zhang Xi *(Chairman)*
Ms. Zhang Huafang
Mr. Cai Duanhong
Ms. Catherine Chen *(Managing Director)*

Independent Non-executive Directors

Mr. Hong Po Kui, Martin
Mr. Yam Tak Fai, Ronald
Mr. Wong Man Hin, Raymond

All INEDs are expressly identified as such in all of the Company's corporate communications that disclose the names of Directors.

4. APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Bye-laws, any new Director appointed by the Board is subject to retirement and re-election by shareholders at the next annual general meeting of the Company (in the case of filling a casual vacancy) or at the next annual general meeting of the Company (in the case of filling a casual vacancy) or at the next annual general meeting of the Company (in the case of an addition to their number) following his appointment. At every annual general meeting, one-third of the Directors for the time being shall retire from office and being eligible for re-election.

Non-executive Directors are appointed for a specific term of three years. All Directors retire from office by rotation and are subject to re-election at an annual general meeting at least once every three years. Details of the re-election of Directors has been set out in the circular of the Company dated 30 April 2008 (the "Circular").

5. NOMINATION OF DIRECTORS

The Company does not have a nomination committee.

The Board regularly reviews its structure, size and composition. The Company follows a formal, considered and transparent procedure for the appointment of new Directors to the Board. The appointment of a new Director is a collective decision of the Board, taking into consideration the expertise, experience, integrity and commitment of that appointee to the Company and the Group.

6. BOARD COMMITTEES

As an integral part of good corporate governance, the Board has established the following committees which are all chaired by INEDs with defined terms of reference.

6.1 Audit Committee

The Board considers that each audit committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management in the audit committee. The written terms of reference which describe the authority and duties of the audit committee were prepared and adopted in 1998 with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The written terms of reference have included the duties as set out in Code Provisions C.3.3(a) to (e).

The members met twice during the year to review the reporting of financial and other information to shareholders, the systems of internal control, risk management and the effectiveness and objectivity of the audit process. The audit committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps the independence and objectivity of the auditors under review.

The following is an attendance record of the audit committee meeting for the year ended 31 December 2007:–

Name of audit committee member	**Number of meetings attended**	**Attendance Rate**
Mr. Yam Tak Fai, Ronald *(Chairman)*	2/2	100%
Mr. Wong Man Hin, Raymond	2/2	100%
Mr. Hong Po Kui, Martin	2/2	100%

6. BOARD COMMITTEES *(CONTINUED)*

6.1 Audit Committee *(continued)*

The audit committee oversees the financial reporting process. In this process, management is responsible for the preparation of Group's financial statements including the selection of suitable audit committee counting policies. External auditors are responsible for auditing the Group's financial statements. The members of the audit committee assist the Board in fulfilling its responsibilities by providing an independent review of the financial statements, supervising the system of financial reporting and satisfying themselves as to the effectiveness of the Group's internal controls. Audit committee presents a report to the Board on its findings after each audit committee meeting.

The audit committee reviewed and discussed with the management and external auditors the 2007 consolidated financial statements included in the 2007 Annual Report. In this regard, the audit committee held discussions with management with regard to new or changes in accounting policies that had been applied, and significant judgments of the management which affected the Group's financial statements. The audit committee received reports and met with the external auditors to discuss the general scope of their audit work, including the impact of new or changes in accounting policies that had been applied and their assessment of the Group's internal controls. Based on these review and discussions, and the report of the external auditors, the audit committee recommended to the Board to approve the consolidated financial statements for the year ended 31 December 2007 and the Auditors' Report.

During 2007, the audit committee reviewed the unaudited consolidated financial statements for the six months ended 30 June 2007 and recommended to the Board to approve the unaudited consolidated financial statements.

The members of the audit committee considered the appointment of external auditors, their audit fees and recommended to the Board to seek shareholders' approval for the re-appointment of Deloitte Touche Tohmatsu ("Deloitte") as the Group's external auditors for 2007.

6. BOARD COMMITTEES *(CONTINUED)*

6.2 Remuneration Committee

The Company has established a remuneration committee to deal with matters of remuneration and compensation arrangement of Directors and senior management. The committee comprised of three independent non-executive Directors, namely Mr. Hong Po Kui, Martin, Mr. Yam Tak Fai, Ronald and Mr. Wong Man Hin, Raymond, and one executive Director, Mr. Zhang Xi.

The written terms of reference have included the duties as set out in Code Provisions B.1.3(a) to (f).

The principal role and function of the remuneration committee includes:

– give recommendations on the establishment of the Company's policy and structure for all remuneration of all Directors, senior management and employees;

– review and determine the remuneration packages and compensation arrangements for loss of office of all Executive Directors and senior management; and

– review of performance-based remuneration policy of the Group.

The remuneration committee meets once during the year.

The following was an attendance record of the remuneration committee meeting for the year ended 31 December 2007:–

Name of remuneration committee member	Number of meetings attended	Attendance Rate
Mr. Hong Po Kui, Martin *(Chairman)*	1/1	100%
Mr. Yam Tak Fai, Ronald	1/1	100%
Mr. Wong Man Hin, Raymond	1/1	100%
Mr. Zhang Xi	1/1	100%

Details of Directors (including each executive director) emoluments and share options are set out in notes 11 and 28 to the financial statements respectively.

The Directors' fees are subject to shareholders' approval at general meeting. In determining the emolument payable to Directors, the remuneration committee takes into consideration factors such as their duties, responsibilities and contribution to the Company, the prevailing market conditions, time commitment and the desirability of performance-based remuneration. No director is involved in determining his/her own remuneration.

The remuneration package for each employee is structured to attract and to retain and motivate high quality staff and at the same time to reflect the importance of aligning awards with shareholder interests. The remuneration package contains a combination or modifications of some or all of the three main components: basic salary, performance bonus and share options.

7. INTERNAL CONTROL

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Group's internal control systems comprise an established organizational structure and comprehensive policies and standards. Procedures have been designed to safeguard assets against unauthorized use or disposition, to maintain proper accounting records, for the reliability of financial information used within the business or for publication, and to ensure compliance with applicable laws and regulations. The purpose of the Group's internal control is to provide reasonable, but not absolute, assurance against material statement or loss and manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

The Group's internal control system includes following major components:

(1) Review an organizational and governance structure with defined responsibility and delegated authority;

(2) Set up stringent policies and procedures for the appraisal, review and approval of major capital and recurrent expenditures; and

(3) Review report of operations results against budgets to the Board regularly.

8. EXTERNAL AUDITOR

It is the external auditor's responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion solely to the shareholders of the Company, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the content of the auditors' report.

For the year ended 31 December 2007, Deloitte Touche Tohmatsu is appointed as the external auditor of the Group and provided interim review and annual audit services to the Group of HK$1,848,000. The Board has accepted the recommendation from the audit committee on re-appointing Deloitte Touche Tohmatsu as the external auditor of the Group.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparing the Group's financial statements in accordance with statutory requirements and applicable accounting standards. The responsibilities of the Directors are to prepare the financial accounts for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Directors also acknowledge that the publication of the financial statements should be distributed to the Shareholders of the Company in a timely manner. In preparing the accounts for the year ended 31 December 2007, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent, fair and reasonable and prepared accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

10. MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out by the Stock Exchange in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, during the review year all Directors have complied with the required standards of dealings as set out in the Model Code and the Company's own code of conduct.

11. INVESTOR RELATIONSHIP AND COMMUNICATION

The Company is responsible for ensuring that shareholders' rights are protected. In order to fulfill this responsibility, the Company endeavours to maintain a high level of transparency in communicating with shareholders and the investment community at large. The Company is committed to continue to maintain an open and effective investor communication policy and to update investors with the relevant information on its business in a timely and accurate manner, subject to the relevant regulatory requirements. In order to ensure effective, clear and accurate communication with investors, all corporate communication are arranged and handled by the executive Directors and designated senior executives according to established practices and procedures of the Company.

The Board uses annual general meetings and other general meetings as the principal channel to meet and communicate with the shareholders. Registered shareholders are notified by post for these general meetings, and the notice of meeting contains the agenda and the proposed resolutions. Any registered shareholder is entitled to attend the annual and extraordinary general meetings, provided that their shares have been recorded in the register of shareholders. The Board also encourages shareholders to participate in these general meetings to maintain an on-going dialogue with the shareholders.

11. INVESTOR RELATIONSHIP AND COMMUNICATION *(CONTINUED)*

Extensive information about the Company's activities is provided in its interim and annual reports, which are sent to shareholders, analysts and other interested parties. The Company's news releases, announcements and publications are circulated to all major news media in a timely and accurate manner.

Separate resolutions will be proposed by the chairman of the Board in respect of each substantially separate issue at the Company's forthcoming annual general meeting. The chairman of the Board, and the chairmen of the audit committee and remuneration committee will attend the forthcoming annual general meeting to answer questions of Shareholders.

12 VOTING BY POLL

Shareholders who are unable to attend a general meeting may complete and return a proxy form enclosed with the notice of meeting to the share registrar to appoint their representatives, another shareholder or Chairman of the meetings to act as proxy at the general meetings. The Chairman, except where a poll is required, will indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against each resolution, after the resolution has been dealt with on a show of hands.

Details of the poll voting procedures and the rights of shareholders to demand a poll are included in the Circular.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 35 and 15 to the consolidated financial statements respectively.

RESULTS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 28.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group is set out on page 78.

SHARE CAPITAL

Details of the movements of the Company's share capital are set out in note 27 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company has no reserves available for distribution as at 31 December 2007.

EMOLUMENT POLICY

The remuneration policy of the employees of the Group is set up on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided, having regard to their duties, responsibilities and contribution to the Company, the prevailing market conditions, time commitment and the desirability of performance-based remuneration.

The Company and its subsidiaries have adopted share option schemes as an incentive to directors and eligible employees, details of the schemes are set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the applicable law of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Zhang Xi	
Mr. Zhang Huafang	
Mr. Cai Duanhong	
Ms. Catherine Chen	(appointed on 2 January 2007)
Dr. Yang Ding Yuen	(resigned on 2 January 2007)
Ms. Meng Tung-Mei, Grace	(resigned on 2 January 2007)

Independent Non-executive Directors

Mr. Hong Po Kui, Martin	
Mr. Yam Tak Fai, Ronald	
Mr. Wong Man Hin, Raymond	
Professor Edward S. Yang	(resigned on 2 January 2007)
Mr. Lo I-Wang	(resigned on 2 January 2007)
Ms. Chang Jing-Yue	(resigned on 2 January 2007)

In accordance with Bye-law 86(2) of the Company's Bye-laws, all Directors, being appointed as executive Directors and independent non-executive Directors during the year, holds such office until the forthcoming annual general meeting, being eligible, offer themselves for re-election.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considers such Directors to be independent.

DIRECTORS' INTEREST IN SHARES AND UNDERLYING SHARES

At 31 December 2007, the interest of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long Positions

Ordinary shares of US$0.001 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Zhang Xi	Held by controlled corporation (Note)	2,792,826,000	30.36%

Note: Mr. Zhang Xi, through his wholly-owned corporation, Civil Talent International Limited ("CTIL") held 2,792,826,000 shares of the Company as at 31 December 2007.

Share options to subscribe Company's shares

Pursuant to the Company's share option scheme adopted on 19 November 2001, the Directors may, at their discretion, invite any executive directors, non-executive directors, executives, employees of the Group and any other persons who have contributed or will contribute to the Group to take up share options to subscribe for shares of the Company subject to the terms and conditions stipulated in the share option scheme. Details of the Company's share option scheme are set out in note 28 to the consolidated financial statements.

During the year, the movements in the number of share options outstanding which have been granted to the Directors, executives and employees of the Company under the Company's share option scheme were as follows:

				Number of share options		
	Date of grant	**Exercise period**	**Exercise price** HK$	**At 1 January 2007**	**Granted during the year**	**At 31 December 2007**
Directors						
Mr. Zhang Xi	13 July 2007	13 July 2007- 12 July 2010	0.153	–	32,353,000	32,353,000
Ms. Catherine Chen	13 July 2007	13 July 2007- 12 July 2010	0.153	–	91,617,000	91,617,000
Sub-total				–	123,970,000	123,970,000
Executives and employees						
	13 July 2007	13 July 2007- 12 July 2010	0.153	–	203,234,000	203,234,000
	5 October 2007	5 October 2007- 4 October 2010	0.095	–	137,606,000	137,606,000
Sub-total				–	340,840,000	340,840,000
Grand total				–	464,810,000	464,810,000

Note: The average closing price of the Company's shares immediately before 13 July 2007, the date of grant of the July 2007 options, was HK$0.157. The average closing price immediately before 5 October 2007, the date of grant of the October 2007 options, was HK$0.093.

Share options to subscribe for shares in Wood Art International Corporation

Pursuant to the Company's shareholders' approval in the special general meeting held on 28 June 2004, the share option scheme of Wood Art International Corporation, a wholly-owned subsidiary of the Company, became effective. During the year, no option has been granted.

Save as disclosed above, none of the Directors nor their associates has any interest in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2007.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option holdings disclosed above, at no time during the year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' SERVICE CONTRACTS

There are no service contracts which are not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting.

The term of office for each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its holding companies or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2007, the register of the substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following shareholder's interests, being 5% or more of the issued share capital:

Long Positions

Ordinary Shares of US$0.001 each of the Company

Name of shareholder	Number of issued ordinary shares held in the Company	Percentage of the issued share capital of the Company
CTIL (Note)	2,792,826,000	30.36%

Note: CTIL, a company incorporated in British Virgin Islands, is wholly owned by the executive Director, Mr. Zhang Xi.

Save as disclosed above, as at 31 December 2007, the Company has not been notified by any persons (other than Directors and chief executive of the Company) who has interests in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentages of purchases attributable to the Group's five largest suppliers combined and the sales made to the Group's five largest customers combined were less than 30% of the Group's total value of purchases and sales, respectively.

None of the Directors, their associates or any shareholders which, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital has a beneficial interest in the share capital of any of the above major customers and suppliers of the Group.

CONVERTIBLE SECURITIES, OPTIONS OR SIMILAR RIGHTS

Other than the share options as set out in note 28 to the consolidated financial statements, the Company had no outstanding convertible securities, options or other similar rights as at 31 December 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company, nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2007.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2007, the Company has compiled with all code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

During the year, the Company has adopted a code of conduct regarding Directors' securities transactions on terms less exacting than the required standard set out in the Model Code set out in Appendix 10 to the Listing Rules. After having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

AUDIT COMMITTEE

The Company established an audit committee in year 1998 and has formulated its written terms of reference in accordance with the requirements of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The audit committee, which includes three independent non-executive Directors, is to review the reporting of financial and other information with the management, the accounting policies and the systems of internal control adopted by the Company, risk management and the effectiveness and objectivity of the audit process and to discuss auditing and financial reporting matters.

REMUNERATION COMMITTEE

The Company had established a remuneration committee with written terms of reference pursuant to the provisions set out in the Code. The committee comprises three independent non-executive Directors and the executive Director, Mr. Zhang Xi. The remuneration committee is principally responsible for formulation and making recommendation to the Board on the Group's policy and structure for all remuneration of Directors and senior management.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

ZHANG XI
Executive Director

Hong Kong, 25 April 2008

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF FULBOND HOLDINGS LIMITED
福邦控股有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Fulbond Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 77, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Group as at 31 December 2007 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
25 April 2008

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

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

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2007

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

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2007

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

The consolidated financial statements on pages 28 to 77 were approved and authorised for issue by the Board of Directors on 25 April 2008 and are signed on its behalf by:

ZHANG XI	**ZHANG HUA FANG**
DIRECTOR	*DIRECTOR*

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

Notes:

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

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

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

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

1. GENERAL

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

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

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

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(CONTINUED)*

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

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

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

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

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 July 2009.
3 Effective for annual periods beginning on or after 1 March 2007.
4 Effective for annual periods beginning on or after 1 January 2008.
5 Effective for annual periods beginning on or after 1 July 2008.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Basis of consolidation

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

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

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

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

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

Interests in associates

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition

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

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

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

Property, plant and equipment

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

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

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

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

Government grants

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

Impairment loss

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment loss *(continued)*

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

Inventories

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Borrowing costs

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Taxation

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

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

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

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

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

Financial instruments

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

Financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets (continued)

Effective interest method

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

Impairment of financial assets

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Impairment of financial assets (continued)

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

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

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

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

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

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

Financial liabilities and equity

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial liabilities and equity (continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Equity instruments

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

Derecognition

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

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

Share-based payment transactions

Share options granted to directors and employees of the Company

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies

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

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

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

Retirement benefits

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

5. CAPITAL RISK MANAGEMENT

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

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

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

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

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

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

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

Market risk *(continued)*

(i) Currency risk *(continued)*

Sensitivity analysis

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

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

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

(ii) Interest rate risk

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

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

Sensitivity analysis

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

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

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

Credit risk

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

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

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

Liquidity risk

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

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

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

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

Liquidity risk *(continued)*

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

Fair value

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

7. TURNOVER AND SEGMENT INFORMATION

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

(a) Business segments

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

Principal activities:

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

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

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

7. TURNOVER AND SEGMENT INFORMATION *(CONTINUED)*

(a) Business segments *(continued)*

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

CONSOLIDATED ASSETS AND LIABILITIES

As at 31 December 2007

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

7. TURNOVER AND SEGMENT INFORMATION *(CONTINUED)*

(a) Business segments *(continued)*

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

OTHER INFORMATION

For the year ended 31 December 2007

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

7. TURNOVER AND SEGMENT INFORMATION *(CONTINUED)*

(a) Business segments *(continued)*

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

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

CONSOLIDATED ASSETS AND LIABILITIES

As at 31 December 2006

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

7. TURNOVER AND SEGMENT INFORMATION *(CONTINUED)*

(a) Business segments *(continued)*

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

OTHER INFORMATION

For the year ended 31 December 2006

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

(b) Geographical segments

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

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

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

7. TURNOVER AND SEGMENT INFORMATION *(CONTINUED)*

(b) Geographical segments *(continued)*

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

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

8. OTHER INCOME

Other income comprises:

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

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

9. FINANCE COSTS

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

10. TAXATION

Tax charge comprises:

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

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

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

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

10. TAXATION *(CONTINUED)*

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

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

11. LOSS FOR THE YEAR

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

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

11. LOSS FOR THE YEAR *(CONTINUED)*

Notes:

(a) Emoluments of directors and highest paid employees

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

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

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

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

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

11. LOSS FOR THE YEAR *(CONTINUED)*

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

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

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

Their emoluments were within the following band:

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

(b) Retirement benefits schemes

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

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

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

12. LOSS PER SHARE

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

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

13. PROPERTY, PLANT AND EQUIPMENT

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

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

13. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

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

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

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

14. PREPAID LEASE PAYMENTS

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

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

15. INTERESTS IN ASSOCIATES

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

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

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

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

15. INTERESTS IN ASSOCIATES *(CONTINUED)*

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

On 13 September 2007, the Group disposed of its entire interest in Hubei Fuhan Timber Co., Ltd, a 48% associate of the Group, to the PRC joint venture partner at a consideration of RMB2,000,000 (US$265,000) resulting for a gain on disposal of US$38,000 which was arrived at after accounting for the net deficit of reserves of US$227,000 released on disposal.

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

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

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

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

16 OTHER INVESTMENTS

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

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

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

17. CLUB DEBENTURE

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

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

18. DEFERRED TAX ASSETS

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

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

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

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

19. INVENTORIES

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

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

20. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

20. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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

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

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

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

Movement in the allowance for doubtful debts

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

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

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

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

21. BANK BALANCES AND CASH

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

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

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

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

22. TRADE AND OTHER PAYABLES

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

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

22. TRADE AND OTHER PAYABLES *(CONTINUED)*

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

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

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

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

23. AMOUNTS DUE TO ASSOCIATES/A FORMER ASSOCIATE

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

24. AMOUNT DUE TO A SHAREHOLDER

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

25. AMOUNT DUE TO FORMER ULTIMATE HOLDING COMPANY

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

26. BANK AND OTHER BORROWINGS

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

Notes:

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

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

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

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

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

27. SHARE CAPITAL

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

28. SHARE OPTION SCHEMES

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

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

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

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

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

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

28. SHARE OPTION SCHEMES *(CONTINUED)*

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

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

Notes:

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

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

28. SHARE OPTION SCHEMES *(CONTINUED)*

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

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

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

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

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

29. CAPITAL COMMITMENTS

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

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

30. CONTINGENT LIABILITIES

During the year ended 31 December 2007, Jilin Province Fuchun Timber Co., Ltd. ("Jilin Fuchun") has ceased its operation. Jilin Fuchun shall lay off its employees and expose to a maximum compensation payment of RMB7,307,000 (equivalent to US$1,013,000) based on the management's estimation and the relevant provisions of the PRC employment laws. The Group has recognised such liability of US$1,013,000 by charging the amount as an expense to the consolidated income statement for the year ended 31 December 2007 (see note 11). Subsequent to 31 December 2007, the Group has made compensation payments to certain employees of Jilin Fuchun amounted to RMB666,000 (equivalent to US$92,000).

31. MAJOR NON-CASH TRANSACTIONS

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

32. LEASING ARRANGEMENTS

The Group as lessee

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

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

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

32. LEASING ARRANGEMENTS *(CONTINUED)*

The Group as a lessor

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

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

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

33. PLEDGE OF ASSETS

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

34. RELATED PARTY TRANSACTIONS

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

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

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

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Place of incorporation/ registration	Place of operation	Percentage of issued share capital/ registered capital held %	Issued and fully paid capital/ registered capital	Principal activities
Ta Fu Strategic Investment Limited	British Virgin Islands	Hong Kong	100	US$10,000	Investment holding
Wood Art International Corporation	British Virgin Islands	Hong Kong	100	US$10,000	Investment holding
TGT Holdings Corporation	British Virgin Islands	Hong Kong	100	US$2	Investment holding
Fulbond Business Services Limited	Hong Kong	Hong Kong	100	HK$2	Provision of management services
Fulbond Digital Systems Limited	Hong Kong	Hong Kong	100	HK$2	Trading of electronic products
Ta Fu Timber Company Limited	Hong Kong	Hong Kong	100	Ordinary HK$200 and deferred * HK$5,000,000	Investment holding
Ta Fu Flooring Company Limited	Hong Kong	Hong Kong	100	Ordinary HK$200 and deferred * HK$1,000,000	Investment holding
Ta Fu International Development Limited	Hong Kong	Hong Kong	100	Ordinary HK$200 and deferred * HK$10,000	Inactive
Fulbond High-Tech Investment Limited	Hong Kong	Hong Kong	100	Ordinary HK$200 and deferred * HK$200	Inactive
Ta Fu Furniture Co., Limited	Hong Kong	Hong Kong	100	Ordinary HK$20 and deferred * HK$20	Investment holding

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(CONTINUED)*

Name of subsidiary	Place of incorporation/ registration	Place of operation	Percentage of issued share capital/ registered capital held %	Issued and fully paid capital/ registered capital	Principal activities
Senbond Building Materials Limited	Hong Kong	Hong Kong	100	Ordinary HK$200 and deferred * HK$10,000	Provision of management services
Ta Fu Properties Co., Limited	Hong Kong	Hong Kong	100	Ordinary HK$20 and deferred * HK$20	Property investment
Fulbond Corporate Management Limited	Hong Kong	Hong Kong	100	Ordinary HK$10,000	Provision of management services
瀋陽福昇中密度板有限公司 Shenyang Fusheng Wood Clipboard Co., Ltd. (Note)	PRC	PRC	51	US$3,000,000	Manufacture and sale of wooden products
吉林省福春木業有限公司 Jilin Fuchun (Note)	PRC	PRC	55	RMB17,464,000	Manufacture and sale of wooden products
吉林福敦木業有限公司 Jilin Fudun Timber Co., Ltd. (Note)	PRC	PRC	67	RMB223,158,165	Manufacture and sale of wooden products

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

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

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

36. POST BALANCE SHEET EVENTS

The following significant events took place after 31 December 2007:

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

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

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

FINANCIAL SUMMARY

The following tables summarise the Group's consolidated results for the five years ended 31 December 2007 together with the Group's net assets as at 31 December 2007, 2006, 2005, 2004 and 2003.

1. RESULTS

	2007	2006	2005	2004	2003
	US$'000	US$'000	US$'000	US$'000	US$'000
Turnover	**24,016**	26,308	22,485	24,532	28,114
Loss before taxation	**(8,180)**	(7,238)	(5,057)	(4,561)	(5,607)
Taxation	**(586)**	(1,059)	(1,040)	1,030	259
Loss for the year	**(8,766)**	(8,297)	(6,097)	(3,531)	(5,348)
Attributable to:					
Equity holders of the Company	**(7,455)**	(7,017)	(5,068)	(2,995)	(4,653)
Minority interests	**(1,311)**	(1,280)	(1,029)	(536)	(695)
	(8,766)	(8,297)	(6,097)	(3,531)	(5,348)

2. ASSETS, LIABILITIES AND MINORITY INTERESTS

	2007	2006	2005	2004	2003
	US$'000	US$'000	US$'000	US$'000	US$'000
Property, plant and equipment	**12,967**	14,944	16,489	18,225	22,647
Interests in associates	**–**	349	3,008	4,859	4,958
Investments in securities	**–**	–	–	441	1,974
Other non-current assets	**810**	905	1,936	3,059	2,180
Net current (liabilities) assets	**(2,719)**	(599)	2,397	4,203	2,589
Non-current liabilities	**(1,075)**	(1,659)	(727)	(727)	(727)
Net assets	**9,983**	13,940	23,103	30,060	33,621
Minority interests	**3,475**	4,983	7,944	9,969	10,604