福 邦 控 股

Fulbond Holdings Limited

福 邦 控 股 有 限 公 司*

(Stock Code: 1041)

ANNUAL REPORT 2008

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

DIRECTORS
Executive Directors:
Mr. Zhang Xi *(Chairman)*
Mr. Cheng Wyman Paul *(Chief Executive Officer)*
(appointed on 23 December 2008)
Ms. Catherine Chen *(Managing Director)*
Ms. Zhang Huafang
(resigned on 31 December 2008)
Mr. Cai Duanhong
(resigned on 5 August 2008)

Non-executive Director:
Mr. Chiu Sui Keung
(appointed on 27 September 2008)

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

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISER
Richards Butler in association with Reed Smith LLP

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2 Church Street
Hamilton HM11
Bermuda

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PRINCIPAL SHARE REGISTRAR
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Rosebank Centre
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Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR
Computershare Hong Kong Investor Services Limited
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Hopewell Centre
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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 2008.

FINANCIAL RESULTS

The revenue of the Group for the year was approximately US$36.3 million, increased around 51.1% as compared with the year 2007. Such increase was mainly contributed from the food processing and distribution business since the acquisition of Prowealth Holdings Group Limited ("Prowealth") in during the year and this business operation has become our leading source of revenue.

The loss attributable to the equity holders of the Company for the year amounted to US$29.2 million (2007: US$7.5 million). The basic loss per share for the year amounted to 0.29 US cent (2007: basic loss per share at 0.08 US cent). The loss for the year was mainly attributable from an impairment loss recognized in respect of property, plant and equipment and prepaid lease payments of approximately US$10.6 million and an impairment loss in respect of goodwill of approximately US$21.3 million related to the acquisition of the Prowealth. The Company will still face challenges including the impact of the international financial crisis and a reduction of demand for timber business. However, we possess the consolidated strengths to cope with risks and challenges. In addition, an experienced management team as well as extensive experiences on business operations, we believe that we will certainly turn adversity into opportunities, and in line with our development targets of maximizing the interests of the Company and shareholders. I believe that the Company will certainly achieve good and rapid development and create long-term, stable and increasing returns for its shareholders.

BUSINESS REVIEW

Timber Business

During the year, timber business remained the core business of the Group. In order to improve the overall performance of the Group and allocate the resources, the Board decided to dispose of its entire interest in Jilin Province Fuchun Timber Co., Ltd. ("Jilin Fuchun"), a 55% subsidiary of the Group, to the PRC minority shareholder at a consideration of RMB1,000,000 (equivalent to US$145,000), giving rise to a gain on disposal of US$1,051,000. In this regard, the timber related business accounted for approximately 60% of the Group revenue in 2008. The turnover of timber businesses decreased from approximately US$24,016,000 to US$21,883,000, representing a drop of approximately 8.9% as compared to the last financial year. The segment result of timber businesses had suffer from loss of US$1,671,000 to loss of US$8,062,000 that indicated that timber business entered into market downturn and the management will continue to review and access potential business opportunities for the Group.

Food Processing and Distribution Business

On 30 May 2008, the Company issued a 6% convertible note with principal amount of HK$121,000,000 (equivalent to US$15,513,000) with coupon interest payable semi-annually to Sun Boom Limited ("Sun Boom") for acquisition of 20% equity interest in Prowealth ("May SPA Convertible Note"). The May SPA Convertible Note is denominated in Hong Kong dollars with a conversion period of 24 months from the issue date and can be converted into ordinary shares of the Company at HK$0.086 per share, The May SPA Convertible Note matures on 29 May 2010 and can be redeemed at par by the holder at anytime before the maturity date. The total fair value of the May SPA Convertible Note is approximately HK$118,553,000 (equivalent to US$15,197,000) at 30 May 2008, representing a discount of US$316,000 recognised as part of the investment cost in Prowealth. The Group has acquired 20% of the issued share capital of Prowealth.

Pursuant to a sales and purchase agreement (the "Agreement") between the Company, Sun Boom and Wise Virtue Holdings Limited ("Wise Virtue") to purchase the remaining issued share capital of Prowealth at a consideration of HK$484,000,000 (equivalent to US$62,347,000) satisfied by the issue of 3,756,840,000 ordinary shares of the Company at HK$0.086 per share ("Consideration shares"), and HK$80,265,260 (equivalent to US$10,339,000) convertible note to Wise Virtue ("Wise Virtue Convertible Note"), and issue of HK$80,646,500 (equivalent to US$10,389,000) convertible note to Sun Boom ("Sun Boom Convertible Note"). The Consideration Shares were subsequently issued on 17 October 2008 at market price of HK$0.019 per share and the fair value of the Consideration Share amounted to HK$71,380,000 (equivalent to US$9,195,000). The total fair value of the Sun Boom Convertible Note is approximately HK$80,111,000 (equivalent to US$10,319,000) at 17 October 2008, representing a discount of US$70,000 recognised as part of the investment cost in Prowealth. The total fair value of the Wise Virtue Convertible Note is approximately HK$79,732,000 (equivalent to US$10,271,000) at 17 October 2008, representing a discount of US$68,000 recognised as part of the investment cost in Prowealth. As such, the Group has acquired 100% of the issued share capital of Prowealth and Prowealth has become a subsidiary of the Company.

The Directors believed that the acquisition of Prowealth would provide an opportunity for the Group to develop a new line of business in the food processing industry while continuing with its existing business. Prowealth specializes in processing and export of frozen seafood products. It is a wholesaler and its customers mainly comprised of Australia, Korea and USA seafood distributors and importers form other countries. The food processing and distribution business accounted for approximately 40% of the Group revenue in 2008. Prowealth promotes its product image of high quality and safety standards which increased consumers' confidence. With Prowealth's extensive experience and expertise in the industry, that would be able to capitalize on the growth opportunities in seafood product market in the long run.

FUTURE PLANS AND PROSPECTS

In the midst of the financial crisis spread out last year, the global economy has not been bottomed out and shows no sign of turning up. In the gloomy winter when recovery is yet to be expected, the wooden products and frozen seafood products markets are in downturn, both in prices and trade volumes. The management anticipated some further setbacks in a short run, whilst in the longer run, the strong basic demand for frozen seafood products will still be a key driver to push for a quick recovery in the dawn. Whilst maintaining a positive attitude towards the prospect, the Group remains conservative in its development plans and will closely manage its implementation of the restructuring of management and business operation to keep a progressive pace in the challenging and dynamic environment.

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 2008, 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, 21 April 2009

MANAGEMENT DISCUSSION AND ANALYSIS

The revenue of the Group for the year was approximately US$36.3 million, increased around 51.1% as compared with the year 2007. Such increase was mainly contributed from the food processing and distribution business since the acquisition of Prowealth Holdings Group Limited ("Prowealth") in October 2008 and this business operation has become our leading source of revenue.

The loss attributable to the equity holders of the Company for the year amounted to US$29.2 million, as compared to a loss of US$7.5 million in 2007. The loss per share for the year amounted to 0.29 US cent (2007: loss per share at 0.08 US cent). The loss for the year was mainly attributable from an impairment loss recognized in respect of property, plant and equipment and prepaid lease payments of approximately US$10.6 million and an impairment loss in respect of goodwill of approximately US$21.3 million related to the acquisition of the Prowealth. The impairment losses are set out as follows:

a) During the year, the Directors conducted a review of the Group's property, plant and equipment and prepaid lease payments and determined that a number of those assets were impaired. Impairment losses of US$9,765,000 and US$854,000 respectively were recognised based on the recoverable amounts of property, plant and equipment and prepaid lease payments which were determined on the basis of their value in use. The carrying amounts of the property, plant and equipment and prepaid lease payments were reduced to the respective recoverable amounts.

b) The Directors have reviewed goodwill on acquisition of Prowealth with indefinite useful lives for impairment loss. Goodwill amounting to US$21,340,000 has been allocated to cash generating units ("CGU") of food processing and distribution segment. The recoverable amount of CGU has been determined based on a value in use calculation which uses cash flow projections based on financial budgets covering a 5-year period, and discount rate of 20%. Cash flows beyond 5-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. In addition, other assumptions have been properly considered in the value in use calculation. To the extent that the carrying amount of any of the units exceed the recoverable amount of the unit, impairment loss has been allocated first to reduce the carrying amount of the goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. As at 31 December 2008, the Group has recognised impairment loss of US$21,340,000 in relation to goodwill arising on acquisition of Prowealth.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group's cash and cash equivalents amounted to US$8,882,000 (as at 31 December 2007: US$6,888,000), representing an increase of US$1,994,000 or 29% as compared to the same corresponding period in 2007. During the year, net cash outflow from operating activities was US$460,000. The net cash inflow from financing activities was US$924,000, which was mainly due to proceed from the issue of convertible note during the year.

As at 31 December 2008, the Group's bank and other borrowings amounted to US$22,498,000 (as at 31 December 2007: US$10,844,000). The Group's bank and other borrowings from banks and other financial institutions carry interests at fixed rates ranging from 6.66% to 7.47% per annum (2007: 5.58% to 7.29% per annum). According to the corporate restructuring of the Company and its subsidiaries, the creditors of the Group received three-year loan notes from the Company with an aggregate face value of US$4,400,000 which carry fixed interest at a rate of 7% per annum. The three-year loan notes are repayable in six equal semi-annual installments. The repayment of the remaining outstanding installment of the loan notes amounted to US$455,000 has been extended to March 2010. Other borrowings represent interest-free borrowings of US$305,000 in 2007. Individual operating entities within the Group are responsible for their own cash management, including raising of loans to cover expected cash demands, subject to approval by the Board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its short and long term liquidity requirements. The Group had net current liabilities of US$27,928,000 and net liabilities of US$11,679,000 as at 31 December 2008. The Directors have obtained financial support from the single largest shareholder of the Company to assist the Group to meet its financial obligations as they fall due in the foreseeable future. In addition, provided that the Group can continue to successfully refinance its bank borrowings, the Directors consider that the Group's liquidity risk is significantly reduced.

FINANCE COSTS

The increase in finance costs of approximately HK$2.5 million, from HK$0.9 million in year 2007 to HK$3.4 million in Year 2008, was mainly attributable to the effective interest expenses on convertible notes issued during the year.

CAPITAL STRUCTURE

During the year ended 31 December 2008, the Company issued 3,756,840,000 shares to Wise Virtue was satisfied by as consideration shares for the acquisition of Prowealth. As at 31 December 2008, the number of the Company's issued shares was enlarged to 12,954,619,755 shares.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

CHANGE OF DIRECTORSHIP

On 5 August 2008, Mr. Cai Duanhong was resigned as executive director of the Company.

On 27 September 2008, Mr. Chiu Sui Keung was appointed as non-executive director of the Company.

On 23 December 2008, Mr. Cheng Wyman Paul was appointed as executive director of the Company.

On 31 December 2008, Ms. Zhang Huafang was resigned as executive director of the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2008, the Group employed 2,100 full time management, administrative and production staff in the PRC and Hong Kong. The Group recruits and promotes individuals based on their performance and development potential in the positions held. Remuneration package is determined with reference to an employee's performance and the prevailing salary levels in the market. In addition, the Group adopts a share option scheme for eligible employees (including Directors) to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Group.

BIOGRAPHICAL DETAILS OF THE DIRECTORS

Biographical details of the Directors are set out as follows:

DIRECTORS

Executive Directors

Mr. Zhang Xi ("Mr. Zhang"), aged 41, 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.

Mr. Cheng Wyman, Paul ("Mr. Cheng"), aged 54, is an executive director. He is the partner of Ajia Partners and sits on the board of various companies within the Ajia Partners Group and as its representative director on boards of portfolio companies managed by Ajia Partners funds. Prior to joining Ajia Partners in 2004, Mr. Cheng was a partner and managing director of Delta Associates, an advisor to the Asian Equity Infrastructure Fund and previously was with AIG Investment Corporation. He is a Fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants and Hong Kong Securities Institute.

Ms. Catherine Chen ("Ms. Chen"), aged 49, 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.

Non Executive Director

Mr. Chiu Sui Keung ("Mr. Chiu"), aged 42, is a non-executive director. He has over fifteen years' experience in the financial industry and the accounting field. Mr. Chiu has possessed extensive experience in corporate finance including initial public offerings, takeovers, mergers and acquisitions. He is a licensed person registered with the Securities and Future Commission to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance. Mr. Chiu graduated with a Bachelor's Degree in Commerce from the University of Melbourne, Australia and has obtained a Master's Degree in Applied Finance from Macquarie University in Sydney, Australia. He has also obtained a Diploma in Practices in Chinese Laws and Regulations Affecting Foreign Businesses jointly organized by Southwest University of Political Science and Law, the PRC and the Hong Kong Management Association. He is a member of CPA Australia and the American Institute of Certified Public Accountants and the fellow member of Hong Kong Institute of Certified Public Accountants. Mr. Chiu is the chief executive officer and the executive director of Sino Resources Group Limited

BIOGRAPHICAL DETAILS OF THE DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hong Po Kui, Martin ("Mr. Hong"), aged 59, is an independent non-executive director on 11 December 2006. He has been practicing as a solicitor of the High Court of Hong Kong for 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. Hong is an independent non-executive director of BEP International Holdings Limited, Simsen International Corporation Limited and Sau San Tong Holdings Limited. Mr. Hong is also the chairman of the Commissioner of Hong Kong Road Safety Patrol.

Mr. Yam Tak Fai, Ronald ("Mr. Yam"), aged 52, 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 43, 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 in general with 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").

This report summarises the Company's corporate governance practices and structures that were in place during the financial year.

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 three executive directors, one non-executive director 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 10 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%
Mr. Cheng Wyman Paul (appointed on 23 December 2008)	0/8	N/A
Ms. Zhang Huafang	7/8	100%
Mr. Cai Duanhong	7/8	100%
Ms. Catherine Chen	7/8	100%
Non-executive Director		
Mr. Chiu Sui Keung (appointed on 27 September 2008)	1/8	13%
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 Mr. Cheng Wyman, Paul is the Chief Executive Office of the Company ("CEO"). Provision A.2.1. of the Code stipulates that the roles of the chairman and CEO should be separated and should not be performed by the same individual. The roles of the Chairman and the CEO are segregated. Mr. Cheng Wyman, Paul is assumed the position of "Chief Executive Officer" and he 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 CEO 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 CEO.

3. BOARD COMPOSITION

The Board currently comprises of the following three executive Directors, one non-executive Director and three independent non-executive Directors:

Executive Directors
Mr. Zhang Xi *(Chairman)*
Mr. Cheng Wyman Paul *(Chief Executive Officer)*
Ms. Catherine Chen *(Managing Director)*

Non-executive Director
Mr. Chiu Sui Keung

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 Director 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.

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 2008:–

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%

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.

6. BOARD COMMITTEES *(CONTINUED)*

6.1 Audit Committee *(continued)*

The audit committee reviewed and discussed with the management and external auditors the 2008 consolidated financial statements included in the 2008 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 2008 and the Auditor's Report.

During the year, the audit committee reviewed the unaudited consolidated financial statements for the six months ended 30 June 2008 and recommended to the Board to approve the unaudited consolidated financial statements.

The members of the audit committee considered the appointment of external auditor, 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 auditor for 2008.

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.

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.

6. BOARD COMMITTEES *(CONTINUED)*

6.2 Remuneration Committee *(continued)*

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 2008:–

Name of remuneration committee member	**Number of meetings attended**	**Attendance Rate**
Mr. Hong Po Kui, Martin *(Chairman)*	4/4	100%
Mr. Yam Tak Fai, Ronald	4/4	100%
Mr. Wong Man Hin, Raymond	4/4	100%
Mr. Zhang Xi	4/4	100%

Details of Directors (including each executive director) emoluments and share options are set out in notes 12 and 33 to the consolidated 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 the consolidated 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 auditor's report.

For the year ended 31 December 2008, 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$2,478,000. 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 2008, 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.

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.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 43 and 18 to the consolidated financial statements respectively.

RESULTS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 29.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group is set out on page 94.

SHARE CAPITAL

Details of the movements of the Company's share capital are set out in note 32 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 14 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company has no reserves available for distribution as at 31 December 2008.

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 33 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

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

Executive Directors

Mr. Zhang Xi	
Mr. Cheng Wyman, Paul	(appointed on 23 December 2008)
Ms. Catherine Chen	
Mr. Cai Duanhong	(resigned on 5 August 2008)
Ms. Zhang Huafang	(resigned on 31 December 2008)

Non Executive Director

Mr. Chiu Sui Keung	(appointed on 27 September 2008)

Independent Non-executive Directors

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

In accordance with Bye-law 86(2) of the Company's Bye-laws, all directors, being appointed as executive directors and 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 2008, the interest of the directors and their associates in the shares, underlying shares and convertible notes 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 Companies, were as follows:

Long Positions

(a) 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 1)	2,092,826,000	16.16%

Notes:

1. Mr. Zhang Xi and his family members own 100% equity interests in Civil Talent International Limited ("CTIL") which owns 2,092,826,000 shares of the Company as at 31 December 2008.

Other than 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 2008.

SHARE OPTIONS

Share options to subscribe Company's shares

Pursuant to the Company's share option scheme adopted on 19 November 2001, 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. Details of the Company's share option scheme are set out in note 33 to the consolidated financial statements.

During the year, the movements in the number of 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:

	Date of grant	Exercise period	Exercise price HK$	Number of share options: At 1 January 2008	Cancelled during the year	Granted during the year	At 31 December 2008
Directors							
Mr. Zhang Xi	13 July 2007	13 July 2007- 12 July 2010	0.153 (Note 1)	32,353,000	(32,353,000)	–	–
	14 July 2008	14 July 2008- 13 July 2011	0.041 (Note 2)	–	–	91,617,000	91,617,000
Ms. Catherine Chen	13 July 2007	13 July 2007- 12 July 2010	0.153 (Note 1)	91,617,000	(91,617,000)	–	–
	14 July 2008	14 July 2008- 13 July 2011	0.041 (Note 2)	–	–	91,617,000	91,617,000
Sub-total				123,970,000	(123,970,000)	183,234,000	183,234,000
Executives and employees							
	13 July 2007	13 July 2007- 12 July 2010	0.153 (Note 1)	203,234,000	(203,234,000)	–	–
	5 October 2007	5 October 2007- 4 October 2010	0.095 (Note 1)	137,606,000	(137,606,000)	–	–
	14 July 2008	14 July 2008- 13 July 2011	0.041 (Note 2)	–	–	64,132,000	64,132,000
Sub-total				340,840,000	(340,840,000)	64,132,000	64,132,000
Grand total				464,810,000	(464,810,000)	247,366,000	247,366,000

Note 1: 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.

Note 2: The average closing price of the Company's shares immediately before 14 July 2008, the date of grant of the July 2008 options, was HK$ 0.037.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the 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 of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' SERVICE CONTRACTS

The Company confirms that it has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules and the Company considers the independent non-executive Directors to be independent.

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 2008, 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 in the Shares

Name of shareholder	Capacity	Number of Shares interested	Approximate percentage of the issued Share capital of the Company
Wise Virtue Holdings Limited (Note 1)	Beneficial owner	4,105,200,976	21.99%
Ms. Lam So Ying (Note 1)	Interest of controlled corporation	4,105,200,976	21.99%
Sun Boom Limited (Note 2)	Beneficial owner	2,680,308,139	14.36%
Ajia Partners Special Situations Fund I L.P. (Note 2)	Interest of controlled corporation	2,680,308,139	14.36%
Ajia Partners Special Situations G.P. Limited (Note 2)	Interest of controlled corporation	2,680,308,139	20.69%
Civil Talent International Limited (Note 3)	Beneficial owner	2,092,826,000	16.16%
Mr. Zhang Xi (Note 3)	Interest of controlled corporation	2,092,826,000	16.16%

Notes:

(1) Wise Virtue Holdings Limited ("Wise Virtue") is a company wholly and beneficially owned by Ms. Lam So Ying. These 4,105,200,976 Shares included 3,171,884,000 Shares is directly beneficially owned by Wise Virtue and the convertible note of principal amount in HK$80,265,260 which can be converted into ordinary shares at a conversion price of HK$0.086 per share.

(2) These underlying shares were held by Sun Boom Limited, a company controlled by Ajia Partners Special Situations Fund I L.P.. Ajia Partners Special Situations G.P. Limited was deemed to have interest in these underlying shares through its subsidiary Ajia Partners Special Situations Fund I L.P.. Accordingly, all these parties were deemed, under the SFO, to have an interest in these underlying shares by virtue of their respective corporate interests in Sun Boom Limited.

(3) Civil Talent International Limited is wholly and beneficially owned by Mr. Zhang Xi who is the chairman and executive director of the Company.

Save as disclosed above, as at 31 December 2008, 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

Detail of the Group's transactions with its major suppliers and customers during the year are set out below:

During the year, the aggregate amount of turnover attributable to the Group's five largest customers represented 35.4% (2007: 20.1%) of the Group's total turnover. In 2008, our largest customer accounted for 10.3% (2007: 4.4%) of the Group's total turnover.

In both years, the aggregate amount of purchases received attributable to the Group's five largest suppliers represented lesser than 30% of the Group's total purchases.

Save as disclosed above, 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) had 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 warrants, convertible notes and share options as set out in notes 29, 30 and 33 to the consolidated financial statements, the Company had no outstanding convertible securities, options or other similar rights as at 31 December 2008.

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

Based on the information available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at 31 December 2008.

CORPORATE GOVERNANCE

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in the annual report.

POST BALANCE SHEET EVENTS

There is no significant post balance sheet event.

AUDITOR COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited annual financial statements of the Group for the year ended 31 December 2008.

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 of the Company, 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.

AUDITOR

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed for approval by shareholders of the Company at the forthcoming annual general meeting of the Company.

On behalf of the Board
ZHANG XI
Chairman

Hong Kong, 21 April 2009

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 29 to 93, which comprise the consolidated balance sheet as at 31 December 2008, 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.

INDEPENDENT AUDITOR'S REPORT

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 2008 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.

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that the Group incurred a loss of US$32,254,000 during the year ended 31 December 2008 and, as of that date, the Group had net current liabilities of US$27,928,000 and net liabilities of US$11,679,000. These conditions, along with other matters set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
21 April 2009

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	NOTES	2008 US$'000	2007 US$'000
Turnover	8	**36,308**	24,016
Cost of sales		**(29,232)**	(19,299)
Gross profit		**7,076**	4,717
Other income	9	**4,025**	1,694
Selling and distribution costs		**(2,230)**	(3,952)
Administrative expenses		**(5,566)**	(4,776)
Other operating expenses		**(524)**	(5,016)
Impairment loss recognised in respect of property, plant and equipment and prepaid lease payments	14 & 16	**(10,619)**	(172)
Impairment loss recognised in respect of goodwill	17	**(21,340)**	–
Finance costs	10	**(3,425)**	(915)
Gain on disposal of a subsidiary		**1,051**	–
Gain on disposal of associates	18	**–**	559
Share of results of associates		**–**	(319)
Loss before taxation		**(31,552)**	(8,180)
Taxation	11	**(702)**	(586)
Loss for the year	12	**(32,254)**	(8,766)
Attributable to:			
Equity holders of the Company		**(29,174)**	(7,455)
Minority interests		**(3,080)**	(1,311)
		(32,254)	(8,766)
Loss per share attributable to equity holders of the Company	13		
– basic		**(0.29) US cent**	(0.08) US cent
– diluted		**(0.29) US cent**	N/A

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2008

	NOTES	2008 US$'000	2007 US$'000
Non-current assets			
Property, plant and equipment	14	**11,133**	12,967
Intangible assets	15	**2,539**	–
Prepaid lease payments	16	**3,046**	810
Other advances		**439**	–
Goodwill	17	**–**	–
Interests in associates	18	**–**	–
Other investments	19	**–**	–
Club debenture	20	**–**	–
Deferred tax asset	21	**350**	–
		17,507	13,777
Current assets			
Inventories	22	**16,685**	6,653
Trade and other receivables	23	**18,263**	2,370
Deposits and prepayments		**3,705**	1,585
Prepaid lease payments	16	**70**	63
Amount due from a director of a subsidiary	26	**951**	–
Bank balances and cash	24	**8,882**	6,888
		48,556	17,559
Current liabilities			
Trade and other payables	25	**14,170**	8,907
Amounts due to associates	26	**76**	98
Amount due to a shareholder	27	**162**	702
Amount due to former ultimate holding company	28	**–**	560
Amounts due to directors of subsidiaries	26	**189**	–
Taxation payable		**775**	242
Warrants	29	**15**	–
Convertible notes	30	**39,054**	–
Bank and other borrowings – amount due within one year	31	**22,043**	9,769
		76,484	20,278
Net current liabilities		**(27,928)**	(2,719)
Total assets less current liabilities		**(10,421)**	11,058
Non-current liabilities			
Bank and other borrowings – amount due after one year	31	**455**	1,075
Deferred tax liability	21	**803**	–
		1,258	1,075
		(11,679)	9,983

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2008

	NOTE	2008 US$'000	2007 US$'000
Capital and reserves			
Share capital	32	**12,954**	9,197
Reserves		**(25,831)**	(2,689)
Equity attributable to equity holders of the Company		**(12,877)**	6,508
Minority interests		**1,198**	3,475
		(11,679)	9,983

The consolidated financial statements on pages 29 to 93 were approved and authorised for issue by the Board of Directors on 21 April 2009 and are signed on its behalf by:

ZHANG XI
DIRECTOR

CATHERINE CHEN
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Attributable to equity holders of the Company										
	Share capital US$'000	Share premium US$'000	Capital reserve US$'000 (Note a)	General reserve US$'000 (Note b)	Exchange translation reserve US$'000	Share option reserve US$'000	Capital redemption reserve US$'000	Accumulated losses US$'000	Sub-total US$'000	Minority interests US$'000	Total US$'000
Balance at 1 January 2007	9,197	47,640	716	1,585	1,576	–	4	(51,761)	8,957	4,983	13,940
Exchange differences arising on translation of functional currency to presentation currency	–	–	–	–	585	–	–	–	585	282	867
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 39)	–	–	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
Exchange differences arising on translation of functional currency to presentation currency	–	–	–	–	304	–	–	–	304	277	581
Transfer of share option reserve on cancellation of share options	–	–	–	–	–	(4,003)	–	4,003	–	–	–
Net income recognised directly in equity	–	–	–	–	304	(4,003)	–	4,003	304	277	581
Loss for the year	–	–	–	–	–	–	–	(29,174)	(29,174)	(3,080)	(32,254)
Reserves released upon disposal of a subsidiary (Note 36)	–	–	(372)	(723)	(234)	–	–	1,095	(234)	526	292
Total recognised income and expenses for the year	–	–	(372)	(723)	70	(4,003)	–	(24,076)	(29,104)	(2,277)	(31,381)
Issue of shares	3,757	5,438	–	–	–	–	–	–	9,195	–	9,195
Recognition of equity-settled share based payments	–	–	–	–	–	524	–	–	524	–	524
Transfer	–	–	–	424	–	–	–	(424)	–	–	–
Balance at 31 December 2008	12,954	53,078	551	1,670	2,651	524	4	(84,309)	(12,877)	1,198	(11,679)

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 2008

	NOTES	2008 US$'000	2007 US$'000
Operating activities			
Loss before taxation		**(31,552)**	(8,180)
Adjustments for:			
Amortisation of prepaid lease payments		**106**	118
Amortisation of intangible assets		**110**	–
Change in fair value of derivative financial instruments and warrants		**(2,265)**	–
Depreciation of property, plant and equipment		**2,070**	3,100
Interest income		**(102)**	(46)
Finance costs		**3,425**	915
Share of results of associates		**–**	319
Recognition of share-based payments		**524**	4,003
Loss (gain) on disposal of property, plant and equipment		**212**	(43)
Gain on disposal of associates		**–**	(559)
Gain on disposal of a subsidiary		**(1,051)**	–
Allowance for bad and doubtful debts		**–**	1,021
Write down of inventories to net realisable value		**–**	424
Impairment loss recognised in respect of goodwill		**21,340**	–
Impairment loss recognised in respect of property, plant and equipment and prepaid lease payments		**10,619**	172
Operating cash flows before movements in working capital		**3,436**	1,244
Increase in inventories		**(3,393)**	(793)
(Increase) decrease in trade and other receivables		**(5,731)**	2,342
Decrease (increase) in deposits and prepayments		**5,513**	(294)
Increase in trade and other payables		**116**	2,251
Cash (used in) generated from operations		**(59)**	4,750
PRC Enterprise Income Tax paid		**(401)**	(305)
Net cash (used in) generated from operating activities		**(460)**	4,445
Investing activities			
Interest received		**102**	46
Acquisition of subsidiaries	34 & 35	**1,579**	–
Disposal of a subsidiary	36	**95**	–
Purchases of property, plant and equipment		**(1,502)**	(772)
Proceeds from disposal of property, plant and equipment		**1,133**	6
Proceeds from disposal of associates		**–**	605
Proceeds from disposal of prepaid lease payments		**–**	107
Net cash from (used in) investing activities		**1,407**	(8)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 US$'000	2007 US$'000
Financing activities		
Interest paid	**(941)**	(915)
Repayment to former ultimate holding company	**(588)**	–
Repayment from a director of a subsidiary	**66**	–
Advance from directors of subsidiaries	**189**	–
New bank loans raised	**14,902**	9,084
Repayments of bank loans	**(16,034)**	(9,084)
Repayment to associates	**(22)**	(389)
Dividends paid to minority shareholders of a subsidiary	**–**	(784)
(Repayment to) advance from a shareholder	**(540)**	702
Proceed from issue of convertible note	**3,700**	–
Proceed from issue of warrants	**192**	–
Net cash from (used in) financing activities	**924**	(1,386)
Net increase in cash and cash equivalents	**1,871**	3,051
Cash and cash equivalents at 1 January	**6,888**	3,661
Effect of changes in foreign exchange rates	**123**	176
Cash and cash equivalents at 31 December, represented by bank balances and cash	**8,882**	6,888

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 2008, 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 and its operating subsidiaries are Renminbi. The directors consider this presentation currency is more useful for its current and potential investors.

The Company acts as an investment holding company. The principal activities of its subsidiaries and associates as at 31 December 2008 are the manufacturing and sale of wooden products and food processing and distribution.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group. While recognising that the Group incurred a loss of US$32,254,000 during the year ended 31 December 2008 and as of that date, the Group had net current liabilities of US$27,928,000 and net liabilities of US$11,679,000, the Group has obtained financial support from the single largest shareholder of the Company, Wise Virtue Holdings Limited ("Wise Virtue"), to assist the Group to meet its financial obligations as they fall due in the foreseeable future.

Given the condition as described above and provided that the Group can continue to successfully refinance its bank borrowings, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC)*-INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC)-INT 12	Service concession arrangements
HK(IFRIC)-INT 14	HKAS 19-The limit on a defined benefit asset, minimum funding requirements and their interaction

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

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

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKAS 1 (Revised)	Presentation of financial statements [2]
HKAS 23 (Revised)	Borrowing costs [2]
HKAS 27 (Revised)	Consolidated and separate financial statements [3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [2]
HKAS 39 (Amendment)	Eligible hedged items [3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [2]
HKFRS 3 (Revised)	Business combinations [3]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments [2]
HKFRS 8	Operating segments [2]
HK(IFRIC)-INT 9 & HKAS 39 (Amendment)	Embedded derivatives [4]
HK(IFRIC)-INT 13	Customer loyalty programmes [5]
HK(IFRIC)-INT 15	Agreements for the construction of real estate [2]
HK(IFRIC)-INT 16	Hedges of a net investment in a foreign operation [6]
HK(IFRIC)-INT 17	Distribution of non-cash assets to owners [3]
HK(IFRIC)-INT 18	Transfers of assets from customers [7]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 July 2009.
[4] Effective for annual periods ending on or after 30 June 2009.
[5] Effective for annual periods beginning on or after 1 July 2008.
[6] Effective for annual periods beginning on or after 1 October 2008.
[7] Effective for transfers on or after 1 July 2009.

* IFRIC represents the International Financial Reporting Interpretations Committee.

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

The application of HKFRS 3 (Revised) may affect the Group's 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 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. HKAS 23 (Revised) requires the capitalisation of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset on a prospective basis.

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 basis except for certain derivative financial instruments, which are measured at fair values as explained in the accounting policies set out below.

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

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations

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

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

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

Goodwill

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

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Interests in associates

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

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for goods sold 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment *(continued)*

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.

Intangible assets acquired in a business combination

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

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

Impairment losses on tangible and intangible assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

The Group as lessee

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

Leasehold land and building

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

Borrowing costs

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

Taxation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Taxation *(continued)*

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.

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

The carrying amount of deferred tax assets is reviewed at 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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies are set out below.

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.

Interest income is recognised on an effective interest basis for debt instrument.

Loans and receivables

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

Available-for-sale financial assets

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

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

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities include convertible loan notes and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instrument are set out below.

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Derivative financial instruments

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

Embedded derivatives

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

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue 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 date 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. United States dollars) at the rate of exchange prevailing at the 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 translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

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. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

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

Property, plant and equipment and prepaid lease payments are stated at cost less subsequent accumulated depreciation/amortisation and accumulated impairment losses. Property, plant and equipment and prepaid lease payments are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimation of the future cash flows generated by each asset or group of assets. If the recoverable amounts are less than the carrying amounts of the property, plant and equipment and prepaid lease payments, the relevant asset's carrying amount is written down to the recoverable amount. If the management's expectation is different, it will impact on the carrying value and write downs of property, plant and equipment and prepaid lease payments in the periods in which such estimate is changed. At 31 December 2008, the carrying amount of property, plant and equipment and prepaid lease payments are US$11,133,000 (2007: US$12,967,000) and US$3,116,000 (2007: US$873,000) respectively (net of total accumulated impairment loss of US$10,619,000 (2007: US$276,000)).

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

The directors of the Company use their judgement in selecting an appropriate valuation technique to determine fair value of embedded conversion option and early redemption option of the convertible notes and warrants which are not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The fair values of these derivative financial liabilities are reassessed at each balance sheet date with movement to the income statement. In estimating the fair value of these derivative financial liabilities, the Group uses independent valuation which is based on various inputs and estimates based on quoted market rates and adjusted for specific features of the instrument (see notes 29 and 30). If the inputs and estimates applied in the model is different, the carrying amount of these derivative financial liabilities will change. The carrying value of the embedded conversion option and early redemption option of convertible notes and warrants at 31 December 2008 were US$11,457,000 (2007: Nil) and US$15,000 (2007: Nil) respectively.

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank and other borrowings, convertible notes, bank balances and cash as disclosed in respective notes 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.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2008 US$'000	2007 US$'000
Financial assets		
Loans and receivables (including cash and cash equivalent)	**28,096**	9,258
Financial liabilities		
Amortised cost	**63,682**	19,694
Derivative financial liabilities	**11,472**	–
	75,154	19,694

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 from (to) associates/directors of subsidiaries, warrants, convertible notes, bank and other borrowings and bank balances and cash. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and certain trade receivables and borrowings (see notes 23 and 31 respectively) are denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	2008		2007	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
United States Dollars	**4,824**	**3,641**	519	631
Hong Kong Dollars	**184**	**36,551**	915	2,832
	5,008	**40,192**	1,434	3,463

7. FINANCIAL INSTRUMENTS *(CONTINUED)*

Market risk *(continued)*

(i) Currency risk (continued)

Sensitivity analysis

The Group mainly expose to exchange rate fluctuations of United States Dollars and Hong Kong Dollars. The following table details the Group's sensitivity to a 10% (2007: 5%) increase in RMB against the relevant foreign currency while all other variables are held constant. 10% (2007: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. As a result of the volatile financial market in 2008, the management adjusted the sensitivity rate from 5% to 10% for the purpose of assessing foreign currency risk. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at each balance sheet date for a 10% (2007: 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 an increase in loss for the year where RMB strengthen 10% (2007: 5%) against the relevant currency while a negative number represents a decrease in loss for the year. For a 10% (2007: 5%) strengthening of RMB against the relevant currency, there would be an equal and opposite impact on the result for the year.

	2008 **US$'000**	2007 US$'000
United States Dollars	**118**	(26)
Hong Kong Dollars	**(364)**	(13)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings, convertible notes and a three year loan note. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fixed-rate short-term bank deposits 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.

7. FINANCIAL INSTRUMENTS *(CONTINUED)*

Market risk *(continued)*

(ii) Interest rate risk (continued)

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 50 (2007: 50) 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 50 (2007: 50) basis points higher and all other variables were held constant, the Group's loss for the year ended 31 December 2008 would decrease by US$43,000 (2007: US$36,000). There would be an equal and opposite impact on the result for the year where there had been 50 (2007: 50) basis points lower.

(iii) Other price risk

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

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

	The Group	
	2008	2007
	US$'000	US$'000
Higher by 5%		
– Conversion option components	**12**	–
– Early redemption option	**112**	–
– Warrants	**20**	–
	144	–

There will be an equal and opposite impact on the loss for the year where there had been 5% lower.

7. 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 2008 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.

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

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

Liquidity risk

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

The Group had net current liabilities of US$27,928,000 and net liabilities of US$11,679,000 as at 31 December 2008. As outlined in note 2, the directors of the Company has obtained financial support from the single largest shareholder of the Company to assist the Group to meet its financial obligations as they fall due in the foreseeable future. In addition, provided that the Group can continue to successfully refinance its bank borrowings, 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.

7. FINANCIAL INSTRUMENTS *(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 2008								
Trade and other payables	–	**9,170**	**3,990**	–	–	–	**13,160**	**13,160**
Amount due to associates	–	**76**	–	–	–	–	**76**	**76**
Amount due to a shareholder	–	**162**	–	–	–	–	**162**	**162**
Amounts due to directors of subsidiaries	–	**189**	–	–	–	–	**189**	**189**
Derivative financial instruments	–	**11,472**	–	–	–	–	**11,472**	**11,472**
Convertible notes	–	**27,597**	–	–	–	–	**27,597**	**27,597**
Bank and other borrowings	**7.3**	–	**1,991**	**1,541**	**19,197**	**519**	**23,248**	**22,498**
		48,666	**5,981**	**1,541**	**19,197**	**519**	**75,904**	**75,154**
At 31 December 2007								
Trade and other payables	–	7,490	–	–	–	–	7,490	7,490
Amount due to associates	–	98	–	–	–	–	98	98
Amount due to a shareholder	–	702	–	–	–	–	702	702
Amount 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

Fair value

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

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

- the fair value of the warrants and the embedded conversion option and early redemption option of the convertible notes are estimated using option model and discounted cash flow analysis and the inputs into the model are disclosed in notes 29 and 30.

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.

8. TURNOVER AND SEGMENT INFORMATION

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

(a) Business segments

For management purposes, the Group is currently organised into four (2007: 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
Food processing and distribution	–	processing and distribution of frozen seafood products
Others	–	high-technology related business through investments in associated companies (disposed in 2007)

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Blockboard and particle board US$'000	Door skin US$'000	Other wooden products US$'000	Food processing and distribution US$'000	Consolidated US$'000
TURNOVER					
External sales	7,337	13,117	1,429	14,425	36,308
RESULT					
Segment result	(2,703)	(4,833)	(526)	1,904	(6,158)
Unallocated corporate income					145
Unallocated corporate expenses					(4,090)
Impairment loss recognised in respect of goodwill	–	–	–	(21,340)	(21,340)
Change in fair value of derivative financial instruments and warrants					2,265
Finance costs					(3,425)
Gain on disposal of a subsidiary	1,051	–	–	–	1,051
Loss before taxation					(31,552)
Taxation					(702)
Loss for the year					(32,254)

8. 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 2008

	Blockboard and particle board US$'000	Door skin US$'000	Other wooden products US$'000	Food processing and distribution US$'000	Consolidated US$'000
ASSETS					
Segment assets	4,670	8,350	909	39,599	53,528
Unallocated corporate assets					12,535
Consolidated total assets					66,063
LIABILITIES					
Segment liabilities	1,068	1,909	208	4,733	7,918
Unallocated corporate liabilities					69,824
Consolidated total liabilities					77,742

OTHER INFORMATION

For the year ended 31 December 2008

	Blockboard and particle board US$'000	Door skin US$'000	Other wooden products US$'000	Food processing and distribution US$'000	Unallocated US$'000	Consolidated US$'000
Additions of property, plant and equipment	296	529	58	518	101	1,502
Amortisation of prepaid lease payments	22	39	3	42	–	106
Depreciation of property, plant and equipment	625	1,118	122	166	39	2,070
Loss (gain) on disposal of property, plant and equipment	104	186	20	–	(98)	212
Share-based payments	–	–	–	–	524	524
Impairment loss recognised in respect of property, plant and equipment and prepaid lease payments	3,560	6,365	694	–	–	10,619

8. 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 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 income					79
Unallocated corporate expenses					(5,913)
Finance costs					(915)
Gain on disposal of associates	–	–	–	559	559
Share of results of associates	–	–	–	(319)	(319)
Loss before taxation					(8,180)
Taxation					(586)
Loss for the year					(8,766)

8. 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
Unallocated corporate assets					7,938
Consolidated total assets					31,336
LIABILITIES					
Segment liabilities	4,217	4,534	82	–	8,833
Unallocated corporate liabilities					12,520
Consolidated total liabilities					21,353

OTHER INFORMATION

For the year ended 31 December 2007

	Blockboard and particle board 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

8. TURNOVER AND SEGMENT INFORMATION *(CONTINUED)*

(b) Geographical segments

The Group's operations are located in the People's Republic of China (the "PRC").

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

	Sales revenue by geographical market	
	Year ended 31.12.2008 US$'000	Year ended 31.12.2007 US$'000
The PRC	**12,315**	14,599
Americas	**12,045**	–
Middle East	**7,875**	4,166
Asia excluding the PRC	**2,221**	1,758
Europe	**807**	2,663
Others	**1,045**	830
	36,308	24,016

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	
	31.12.2008 US$'000	31.12.2007 US$'000	**31.12.2008 US$'000**	31.12.2007 US$'000
The PRC (including Hong Kong)	**53,528**	23,398	**1,502**	772

9. OTHER INCOME

Other income comprises:

	2008 US$'000	2007 US$'000
Value added tax refund (Note a)	**875**	1,202
Gain on disposal of property, plant and equipment	**–**	43
Interest income	**102**	46
Rental income from lease of plant and machinery	**–**	258
Sales of scrap materials	**313**	–
Sub-contracting income	**114**	–
Gain on disposal of other investments (Note 19)	**3**	–
Change in fair value of derivative financial instruments and warrants (Note b)	**2,265**	–
Others	**353**	145
	4,025	1,694

Notes:

(a) 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$875,000 (2007: US$1,202,000) for the year ended 31 December 2008.

(b) An analysis of change in fair value of derivative financial instruments and warrants comprise gain on initial recognition of liability component of convertible note of US$182,000, change in fair value of embedded conversion option and early redemption option of convertible notes of US$1,906,000 and change in fair value of warrants of US$177,000.

10. FINANCE COSTS

	2008 US$'000	2007 US$'000
Interest on:		
– borrowings from banks and other financial institutions wholly repayable within five years	**868**	830
– three-year loan notes	**73**	80
– other borrowings	**–**	5
Effective interest expense on convertible notes wholly repayable within five years	**2,484**	–
	3,425	915

11. TAXATION

Tax charge comprises:

	2008 US$'000	2007 US$'000
PRC Enterprise Income Tax	**(727)**	(586)
Deferred tax charge (Note 21)	**25**	–
	(702)	(586)

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 changed the tax rate from 15% to 25% at progressive rates gradually for certain subsidiaries, and from 24% to 25% for certain subsidiaries from 1 January 2008.

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

	2008 US$'000	2007 US$'000
Loss before taxation	**(31,552)**	(8,180)
Tax at the domestic income tax rate of 25% (2007: 33%)	**(7,888)**	(2,699)
Tax effect of share of results of associates	**–**	105
Tax effect of expenses not deductible for tax purpose	**5,817**	1,473
Tax effect of income not taxable for tax purpose	**(615)**	(125)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**360**	228
Effect of preferential tax rates of subsidiaries operating in other jurisdictions	**(340)**	–
Tax effect of deductible temporary differences not recognised	**2,578**	683
Tax effect of tax losses not recognised	**790**	921
Taxation for the year	**702**	586

12. LOSS FOR THE YEAR

	2008 US$'000	2007 US$'000
Loss for the year has been arrived at after charging (crediting):		
Directors' remuneration (Note a)		
– Fees	**567**	407
– Share-based payments for directors (included in other operating expenses)	**388**	1,216
– Other emoluments	**7**	8
	962	1,631
Employees' salaries and benefits expenses	**2,772**	1,472
Share-based payments for employees (included in other operating expenses)	**136**	2,787
Compensation for laid off of employees in the PRC (included in other operating expenses) (Note 38)	**–**	1,013
Retirement benefits scheme contributions for staff other than directors (Note b)	**271**	328
Total employees' benefits expense	**4,141**	7,231
Allowance for bad and doubtful debts	**–**	1,021
Amortisation of prepaid lease payments	**106**	118
Amortisation of intangible assets	**110**	–
Auditor's remuneration	**279**	204
Depreciation of property, plant and equipment	**2,070**	3,100
Net exchange losses	**227**	30
Loss (gain) on disposal of property, plant and equipment	**212**	(43)
Gain on disposal of other investments	**(3)**	–
Minimum lease payments under operating leases in respect of rented premises	**240**	169
Write down of inventories to net realisable value	**–**	424
Cost of inventories recognised as expenses	**29,232**	18,875

12. LOSS FOR THE YEAR *(CONTINUED)*

Notes:

(a) Emoluments of directors and highest paid employees

(i) The emoluments paid or payable to each of the 9 (2007:12) directors were as follows:

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

	Zhang Xi 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
Retirement benefits scheme contributions	2	2	2	2	–	–	–	–	–	–	–	–	8
	396	79	79	978	33	33	33	–	–	–	–	–	1,631

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

	2008 Number of directors	2007 Number of directors
Nil-HK$1,000,000 (equivalent to US$129,032)	**7**	10
HK$1,500,001-HK$2,000,000 (equivalent to US$193,548 to US$258,065)	**1**	–
HK$3,000,001-HK$3,500,000 (equivalent to US$387,097 to US$451,613)	**–**	1
Over HK$3,500,000 (equivalent to over US$451,613)	**1**	1
	9	12

12. 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 (2007: two) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2007: three) individuals are as follows:

	2008 US$'000	2007 US$'000
Salaries and other benefits	**1,141**	409
Retirement benefit scheme contributions	**5**	2
	1,146	411

Their emoluments were within the following band:

	2008 Number of individuals	2007 Number of individuals
Not exceeding HK$1,000,000 (equivalent to US$128,816)	**1**	2
HK$2,000,001-HK$2,500,000 (equivalent to US$257,632 to US$322,040)	**1**	1
HK$5,000,000-HK$5,500,000 (equivalent to US$641,026 to US$705,128)	**1**	–
	3	3

(b) Retirement benefits schemes

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

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

The total cost charged to the consolidated income statement of US$278,000 (2007: US$336,000) represents contributions to the schemes by the Group at rates specified in the rules of the respective schemes.

13. LOSS PER SHARE

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

	2008	2007
	US$'000	US$'000
Loss:		
Loss for purpose of calculation of basic loss per share	**(29,174)**	(7,455)
Effect of dilutive potential ordinary shares:		
– Interest on convertible notes	**984**	
– Change in fair value of embedded conversion option and early redemption option	**(3,565)**	
– Exchange realignment of convertible notes	**102**	
Loss for purpose of calculation of diluted loss per share	**(31,653)**	

	2008	2007
Number of shares:		
Weighted average number of ordinary shares for purposes of calculation of basic loss per share	**9,977,888,607**	9,197,779,755
Effect of dilutive potential ordinary shares in respect of convertible notes	**826,502,732**	
Weighted average number of ordinary shares for the purpose of calculation of diluted loss per share	**10,804,391,339**	

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvement	Plant and equipment	Furniture and fittings	Motor vehicles	Construction in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
COST							
At 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
Currency realignment	693	–	2,237	1	64	56	3,051
Acquisition of subsidiaries (Notes 34 and 35)	5,013	–	3,488	70	188	378	9,137
Additions	35	91	569	11	280	516	1,502
Reclassification	114	–	–	–	–	(114)	–
Disposals	(1,640)	(46)	(1,055)	(26)	(43)	(283)	(3,093)
Disposal of a subsidiary (Note 36)	(408)	–	(437)	–	(382)	–	(1,227)
At 31 December 2008	15,096	82	43,724	112	1,306	1,644	61,964
DEPRECIATION AND IMPAIRMENT							
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
Currency realignment	325	–	1,968	–	51	–	2,344
Provided for the year	654	32	1,354	17	13	–	2,070
Impairment loss recognised	5,429	–	4,288	–	48	–	9,765
Eliminated on disposal	(602)	(27)	(805)	(23)	(15)	(276)	(1,748)
Eliminated on disposal of a subsidiary	(408)	–	(437)	–	(382)	–	(1,227)
At 31 December 2008	10,576	12	39,378	28	837	–	50,831
CARRYING VALUES							
At 31 December 2008	4,520	70	4,346	84	469	1,644	11,133
At 31 December 2007	6,111	30	5,912	22	77	815	12,967

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

During the year ended 31 December 2008, the directors conducted a review of the Group's property, plant and equipment and determined that a number of those assets were specifically identified to be obsolete. In addition, due to the sustained losses in the cash genarating units ("CGUs") for blockboard and particle board, door skin and other wooden products (which also equal to business segments), further impairment losses were identified for property, plant and equipment of these CGUs based on their recoverable amounts. Accordingly, impairment losses of US$3,275,000, US$5,853,000 and US$637,000 have been recognised in respect of plant and equipment and other assets, which are used in the Group's blockboard and particle board, door skin and other wooden products segments respectively. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rates in measuring the amounts of value in use was 22% in relation to these assets. During the year ended 31 December 2007, 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 in respect of this construction in progress was fully impaired.

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

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

	2008 US$'000	2007 US$'000
The carrying value of the Group's leasehold land and buildings are held under:		
Medium term lease in Hong Kong	**–**	625
Short term leases in the PRC	**4,520**	5,486
	4,520	6,111

15. INTANGIBLE ASSETS

	Customer relationship	License	Total
	US$'000	US$'000	US$'000
COST			
Acquired on acquisition of subsidiaries and the balance at 31 December 2008	2,579	70	2,649
AMORISATION			
Charge for the year and balance at 31 December 2008	(107)	(3)	(110)
CARRYING VALUE			
At 31 December 2008	2,472	67	2,539

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

16. PREPAID LEASE PAYMENTS

	2008	2007
	US$'000	US$'000
The Group's prepaid lease payments comprise:		
Short term lease in the PRC	**3,116**	873
Less: Current portion shown under current assets	**(70)**	(63)
	3,046	810

As a result of the sustained losses in the CGUs for blockboard and particle board, door skin and other wooden product (which also equal to business segments), impairment loss was identified for prepaid lease payments of these CGUs based on their recoverable amounts. Accordingly, impairment losses of US$285,000, US$512,000 and US$57,000 have been recognised in respect of prepaid lease payments, which are used in the Group's blockboard and particle board, door skin and other wooden product segments respectively.

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

17. GOODWILL

	US$'000
CARRYING VALUE	
Arising on acquisition of subsidiaries	21,340
Impairment loss recognised	(21,340)
At 31 December 2008	–

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

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

The recoverable amount of the food processing and distribution CGU is determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5 year period, and a discount rate of 20%. The cash flows beyond the 5 year period are extrapolated using a steady growth rate of 3%. This growth rate is based on the industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations related to the estimation of cash inflow/outflows which include budgeted sales and expected gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

18. INTERESTS IN ASSOCIATES

	2008 & 2007 US$'000
Cost of unlisted investments	2,000
Share of reserves	463
Share of post-acquisition losses	(2,463)
	–

18. INTERESTS IN ASSOCIATES *(CONTINUED)*

Particulars of the Group's associates at 31 December 2008 and 2007 are as follows:

Name of associate	Place of registration/ operation	Percentage of issued share capital/registered capital held by the Group 2008 %	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	Inactive since 2007
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	Inactive since 2007

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

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

On 13 September 2007, the Group disposed of its entire interest in Hubei Fuhan Timber Co., Ltd, a 48% associate of the Group, to the PRC joint venture partner at a consideration of 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:

	2008 US$'000	2007 US$'000
Total assets	**1,118**	1,060
Total liabilities	**(907)**	(975)
Net assets	**211**	85
Group's share of net assets	**–**	–
Revenue	**–**	1,979
Loss for the year	**–**	(990)
Group's share of loss for the year	**–**	(319)

19. OTHER INVESTMENTS

The investments classified as available-for-sale investments as at 31 December 2008 comprise:

	2008	2007
	US$'000	US$'000
Equity securities		
Costs of investments	**1,142**	3,116
Less: Impairment loss recognised	**(1,142)**	(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.

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

20. CLUB DEBENTURE

	US$'000
FAIR VALUE	
At 1 January 2007	37
Less: Impairment loss recognised	(37)
At 31 December 2007 and 31 December 2008	–

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

21. DEFERRED TAXATION

The following are the major deferred tax liability and assets recognised and movements thereon during the year:

	Difference in depreciation	Intangible assets	Total
	US$'000	US$'000	US$'000
Acquired on acquisition of subsidiaries (Note 35)	(184)	662	478
Charge for the year	2	(27)	(25)
At 31 December 2008	(182)	635	453

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

	2008	2007
	US$'000	US$'000
Deferred tax asset	**(350)**	–
Deferred tax liability	**803**	–
	453	–

At the balance sheet date, the Group had unused tax losses of US$16,746,000 (2007: US$19,744,000) 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$3,106,000 (2007: 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$33,178,000 (2007: US$22,866,000) 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 and prepaid lease payments for certain PRC subsidiaries 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 for these subsidiaries will be available against which the deductible temporary differences can be utilised.

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

22. INVENTORIES

	2008 US$'000	2007 US$'000
Raw materials	**2,805**	2,238
Work in progress	**2,792**	307
Finished goods	**11,088**	4,108
	16,685	6,653

23. TRADE AND OTHER RECEIVABLES

	2008 US$'000	2007 US$'000
Trade receivables, net of allowance	**13,621**	1,243
Other receivables	**4,642**	1,127
	18,263	2,370

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:

	2008 US$'000	2007 US$'000
0-90 days	**11,480**	904
91-180 days	**2,141**	260
More than 180 days	**–**	79
	13,621	1,243

Before accepting any new customers, the Group reviews 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$224,000 (2007:US$339,000) which are past due at the reporting date for which the Group has not provided for impairment loss as the management considered these debts are of good quality and good repayment history. The Group does not hold any collateral over these balances. The average age of these receivables is 132 days (2007: 167 days).

23. 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:

	2008	2007
	US$'000	US$'000
91-180 days	**224**	260
More than 180 days	**–**	79
	224	339

The Group has provided fully for all receivables that are past due beyond 1 year because historical experience is such that these receivables are generally not recoverable. Allowance on trade receivables over 270 days are fully provided by reference to past default experience and objective evidences of impairment.

In determining the recoverability of the trade receivables, the Group monitors any change in the credit quality of the trade receivables since the credit was granted and up to the 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

	2008	2007
	US$'000	US$'000
Balance at beginning of the year	**2,236**	1,823
Impairment losses recognised	**–**	1,021
Currency realignment	**–**	157
Written off during the year	**(962)**	(765)
Balance at end of the year	**1,274**	2,236

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$1,274,000 (2007: US$2,236,000) 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:

	2008	2007
	US$'000	US$'000
United States Dollars	**4,519**	–
Hong Kong Dollars	**85**	658

24. BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term bank deposits with original maturity of three months or less, and carry interest ranging from 0.01% to 2.1% (2007: 0.57% to 2.4%) per annum.

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

	2008 **US$'000**	2007 US$'000
United States Dollars	**305**	519
Hong Kong Dollars	**99**	257

25. TRADE AND OTHER PAYABLES

	2008 **US$'000**	2007 US$'000
Trade payables	**5,000**	2,694
Amounts due to minority shareholders of subsidiaries	**1,415**	827
Other payables	**7,755**	4,373
Compensation payable for laid off of employees	**–**	1,013
	14,170	8,907

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

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

	2008 **US$'000**	2007 US$'000
0 – 90 days	**3,559**	53
91 – 180 days	**19**	794
More than 180 days	**1,422**	1,847
	5,000	2,694

25. TRADE AND OTHER PAYABLES *(CONTINUED)*

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:

	2008	2007
	US$'000	US$'000
United States Dollars	**320**	631
Hong Kong Dollars	**37**	1,757

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

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

27. AMOUNT DUE TO A SHAREHOLDER

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

28. AMOUNT DUE TO FORMER ULTIMATE HOLDING COMPANY

The amount was unsecured, interest free and fully repaid during the year.

29. WARRANTS

On 28 January 2008, the Company issued 1,500,000,000 unlisted warrants at price of HK$0.001 per warrant to six placees, all being independent third parties to the Group and each warrant entitles its holder to subscribe for one ordinary share of US$0.001 each of the Company ("Subscription Share") at the initial subscription price of HK$0.074 per Subscription Share at any time during the period of 30 months commencing from the date of issue of the warrants. The proceed from the issue amounts to HK$1,500,000 (equivalent to US$192,000) represents the fair value of the warrants at date of issue. At 31 December 2008, the fair value of the warrants was determined using the Black-Scholes option pricing model and the inputs into the model were as follows:

	31.12.2008
Exercise price	HK$0.074
Share price	HK$0.016
Expected volatility	53.17%
Remaining life	1.5 years
Risk free rate	0.388%

During the year ended 31 December 2008, US$177,000 was recognised as gain on change in fair value in the consolidated income statement.

30. CONVERTIBLE NOTES

(i) April Convertible Note

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

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

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

	9.4.2008	**31.12.2008**
Conversion price	HK$0.086	HK$0.086
Share price	HK$0.080	HK$0.016
Expected volatility	46.35%	56.13%
Remaining life	2 years	1.27 years
Risk-free rate	1.311%	0.388%

The total fair value of the April Convertible Note at 9 April 2008 is approximately US$3,518,000, representing a gain in fair value on initial recognition of US$182,000 recognised in the consolidated income statement.

30. CONVERTIBLE NOTES *(CONTINUED)*

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

May SPA Convertible Note

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

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

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

	30.5.2008	**31.12.2008**
Conversion price	HK$0.086	HK$0.086
Share price	HK$0.080	HK$0.016
Expected volatility	46.50%	55.51%
Remaining life	2 years	1.41 years
Risk-free rate	2.100%	0.388%

The total fair value of the May SPA Convertible Note at 30 May 2008 is approximately HK$118,553,000 (equivalent to US$15,197,000), representing a discount of US$316,000 recognised as part of the investment cost in Prowealth.

30. CONVERTIBLE NOTES *(CONTINUED)*

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

Sun Boom Convertible Note

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

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

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

30. CONVERTIBLE NOTES *(CONTINUED)*

Sun Boom Convertible Note (continued)

	17.10.2008	31.12.2008
Conversion price	HK$0.086	HK$0.086
Share price	HK$0.019	HK$0.016
Expected volatility	45.80%	47.60%
Remaining life	5 years	4.8 years
Risk-free rate	2.389%	1.194%

The total fair value of the Sun Boom Convertible Note at 17 October 2008 is approximately HK$80,111,000 (equivalent to US$10,319,000), representing a discount of US$70,000 recognised as part of the investment cost in Prowealth.

Wise Virtue Convertible Note

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

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

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

30. CONVERTIBLE NOTES *(CONTINUED)*

Wise Virtue Convertible Note (continued)

	17.10.2008	31.12.2008
Conversion price	HK$0.086	HK$0.086
Share price	HK$0.019	HK$0.016
Expected volatility	45.80%	47.60%
Remaining life	5 years	4.8 years
Risk-free rate	2.389%	1.194%

The total fair value of the Wise Virtue Convertible Note at 17 October 2008 is approximately HK$79,732,000 (equivalent to US$10,271,000), representing a discount of US$68,000 recognised as part of the investment cost in Prowealth.

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

	Liability component	Embedded conversion option	Early redemption option	Total
	US$'000	US$'000	US$'000	US$'000
At 1 January 2008	–	–	–	–
Issued during the year	26,163	4,718	8,606	39,487
Gain on initial recognition	(182)	–	–	(182)
Change in fair value	–	(4,525)	2,619	(1,906)
Interest charged	1,519	–	–	1,519
Exchange realignment	97	26	13	136
At 31 December 2008	27,597	219	11,238	39,054

31. BANK AND OTHER BORROWINGS

	2008	2007
	US$'000	US$'000
Secured loans from banks and other financial institutions (Note a)	**22,043**	9,464
Unsecured three-year loan notes (Note b)	**455**	1,075
Unsecured other borrowings (Note c)	**–**	305
	22,498	10,844
Carrying amount repayable:		
Within one year	**22,043**	9,769
Between one to two years	**455**	1,075
	22,498	10,844
Less: Amount due within one year shown under current liabilities	**(22,043)**	(9,769)
Amount due after one year	**455**	1,075

Notes:

(a) The loans from banks and other financial institutions carry interests at fixed rates ranging from 6.66% to 7.47% per annum (2007: 5.58% to 7.29% per annum).

(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 outstanding installment of the loan notes amounted to US$455,000 has been extended to March 2010.

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

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

	2008	2007
	US$'000	US$'000
Hong Kong Dollars	**455**	1,075

32. SHARE CAPITAL

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

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

33. SHARE OPTION SCHEMES

A share option scheme was adopted by the Company on 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.

Pursuant to Share Option Scheme, any options granted but not exercised may be cancelled if the grantee so agrees and new options may be granted to the grantee provided such new options comply with the terms of the Share Option Scheme. A director's resolution was passed on 14 July 2008, the entire share options granted in 2007 (vested immediately at the date of grant) had been cancelled and 247,366,000 new share options were granted (vested immediately at the date of grant), representing 2.69% (2007:5.05%) 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.

33. SHARE OPTION SCHEMES *(CONTINUED)*

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

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

				Number of share options					
Date of grant	Vesting period	Exercise price	Exercise period	Outstanding at 1 January 2007	Granted during the year	Outstanding at 31 December 2007 and 1 January 2008	Cancelled during the year	Granted during the year	Outstanding at 31 December 2008
		HK$					(Note 1)		
Directors									
13 July 2007	– (Note 2)	0.153	13 July 2007- 12 July 2010	–	123,970,000	123,970,000	(123,970,000)	–	–
14 July 2008	– (Note 2)	0.041	14 July 2008- 13 July 2011	–	–	–	–	183,234,000	183,234,000
Grand total				–	123,970,000	123,970,000	(123,970,000)	183,234,000	183,234,000
Executive and employees									
13 July 2007	– (Note 2)	0.153	13 July 2007- 12 July 2010	–	203,234,000	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	(137,606,000)	–	–
14 July 2008	– (Note 2)	0.041	14 July 2008- 13 July 2011	–	–	–	–	64,132,000	64,132,000
Sub-total				–	340,840,000	340,840,000	(340,840,000)	64,132,000	64,132,000
				-	464,810,000	464,810,000	464,810,000	247,366,000	247,366,000

Notes:

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

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

33. SHARE OPTION SCHEMES *(CONTINUED)*

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

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

Expected volatility was determined by using the historical volatility of the Company's share price over the previous three years. 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 2008, the Group recognised the total share-based payment expense of US$524,000 (2007: US$4,003,000) in relation to the share options granted by the Company to its directors and employees. The share-based payment expense was included in other operating expenses (Note 12).

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

34. ACQUISITION OF ASSETS

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

The net assets acquired in the transaction are as follows:

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

The results of the subsidiary acquired had no significant impact on the Group's consolidated revenue or loss for the year.

35. ACQUISITION OF SUBSIDIARIES

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

35. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

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

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

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

35. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

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

Prowealth contributed US$14,426,000 to the Group's turnover and profit of US$1,270,000 to the Group's loss for the year between the date of acquisition and the balance sheet date.

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

36. DISPOSAL OF A SUBSIDIARY

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

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

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

37. CAPITAL COMMITMENTS

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

	2008 US$'000	2007 US$'000
Capital expenditure in respect of acquisition of property, plant and equipment		
– authorised but not contracted for	–	–
– contracted but not provided for	43	–
	43	–

38. CONTINGENT LIABILITIES

During the year ended 31 December 2007, Jilin Fuchun has ceased its operation. Jilin Fuchun has laid off its employees and expose to a maximum compensation payment of RMB7,307,000 (equivalent to US$1,013,000) based on the management's estimation and the relevant provisions of the PRC employment laws. The 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 (Note 12). During the year ended 31 December 2008, the Group has settled all compensation payments to the employees of Jilin Fuchun. The Group has no significant contingent liabilities at 31 December 2008.

39. MAJOR NON-CASH TRANSACTIONS

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

During the year ended 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.

40. 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 office premises which fall due as follows:

	2008	2007
	US$'000	US$'000
Within one year	**188**	223
In the second to fifth year inclusive	**47**	282
	235	505

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

The Group as a lessor

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

	2008	2007
	US$'000	US$'000
Within one year	**–**	139
In the second to fifth year inclusive	**–**	136
	–	275

During the year ended 31 December 2007, the plant and machinery, with insignificant carrying amount, was leased out for a period of three years and the rentals were pre-determined and fixed. The lease was cancelled during the year ended 31 December 2008.

41. PLEDGE OF ASSETS

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

42. RELATED PARTY TRANSACTIONS

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

During the year, the Group has received management service income of US$36,000 (2007: US$33,000) 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 consolidated financial statements.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2008 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Percentage of issued share capital/ registered capital held 2008 %	2007 %	Issued and fully paid capital/ registered capital	Principal activities
Ta Fu Strategic Investment Limited	British Virgin Islands	Hong Kong	**100**	100	US$10,000	Investment holding
Wood Art International Corporation	British Virgin Islands	Hong Kong	**100**	100	US$10,000	Investment holding
Fulbond Business Services Limited	Hong Kong	Hong Kong	**100**	100	HK$2	Provision of management services
Fulbond Digital Systems Limited	Hong Kong	Hong Kong	**100**	100	HK$2	Trading of electronic products
Ta Fu Timber Company Limited	Hong Kong	Hong Kong	**100**	100	Ordinary HK$200 and deferred * HK$5,000,000	Investment holding
Ta Fu Flooring Company Limited	Hong Kong	Hong Kong	**100**	100	Ordinary HK$200 and deferred * HK$1,000,000	Investment holding
Ta Fu Furniture Co., Limited	Hong Kong	Hong Kong	**100**	100	Ordinary HK$20 and deferred * HK$20	Investment holding
Senbond Building Materials Limited	Hong Kong	Hong Kong	**100**	100	Ordinary HK$200 and deferred * HK$10,000	Provision of management services

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name of subsidiary	Place of incorporation/ registration	Place of operation	Percentage of issued share capital/ registered capital held 2008 %	2007 %	Issued and fully paid capital/ registered capital	Principal activities
Ta Fu Properties Co., Limited	Hong Kong	Hong Kong	**100**	100	Ordinary HK$20 and deferred * HK$20	Property investment
Fulbond Corporate Management Limited	Hong Kong	Hong Kong	**100**	100	Ordinary HK$10,000	Provision of management services
Fulbond Investment Limited	British Virgin Islands	Hong Kong	**100**	100	US$1	Investment holding
Prowealth Holdings Group Limited	British Virgin Islands	Hong Kong	**100**	–	US$10,000	Investment holding
Yield On International Limited	Hong Kong	Hong Kong	**100**	–	HK$100	Trading of processed seafood products
瀋陽福昇中密度板有限公司 Shenyang Fusheng Wood Clipboard Co., Ltd. (Note 1)	PRC	PRC	**51**	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 1)	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 1)	PRC	PRC	**67**	67	RMB223,158,165	Manufacture and sale of wooden products

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name of subsidiary	Place of incorporation/ registration	Place of operation	Percentage of issued share capital/ registered capital held 2008 %	2007 %	Issued and fully paid capital/ registered capital	Principal activities
海南佳德信食品有限公司 Hainan Jiadexin Foodstuff Co., Ltd. (Note 2)	PRC	PRC	**100**	–	RMB5,000,000	Processing and distribution of frozen seafood products
茂名长兴食品有限公司 Maoming Changxing Foods Co., Ltd. (Note 2)	PRC	PRC	**100**	–	US$5,000,000	Processing and distribution of frozen seafood products
茂名嘉兴食品有限公司 Maoming Jiaxing Foods Co., Ltd. (Note 2)	PRC	PRC	**100**	–	RMB6,487,920	Processing and distribution of frozen seafood products

* The deferred shares are non-voting and are not entitled to participate in the distribution of profits in any financial year and are only 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.

Notes:

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

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or constituted a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

FINANCIAL SUMMARY

The following tables summarise the Group's consolidated results for the five years ended 31 December 2008 together with the Group's net (liabilities) assets as at 31 December 2008, 2007, 2006, 2005 and 2004.

1. RESULTS

	2008	2007	2006	2005	2004
	US$'000	US$'000	US$'000	US$'000	US$'000
Turnover	**36,308**	24,016	26,308	22,485	24,532
Loss before taxation	**(31,552)**	(8,180)	(7,238)	(5,057)	(4,561)
Taxation	**(702)**	(586)	(1,059)	(1,040)	1,030
Loss for the year	**(32,254)**	(8,766)	(8,297)	(6,097)	(3,531)
Attributable to:					
Equity holders of the Company	**(29,174)**	(7,455)	(7,017)	(5,068)	(2,995)
Minority interests	**(3,080)**	(1,311)	(1,280)	(1,029)	(536)
	(32,254)	(8,766)	(8,297)	(6,097)	(3,531)

2. ASSETS, LIABILITIES AND MINORITY INTERESTS

	2008	2007	2006	2005	2004
	US$'000	US$'000	US$'000	US$'000	US$'000
Property, plant and equipment	**11,133**	12,967	14,944	16,489	18,225
Interests in associates	**–**	–	349	3,008	4,859
Investments in securities	**–**	–	–	–	441
Other non-current assets	**6,374**	810	905	1,936	3,059
Net current (liabilities) assets	**(27,928)**	(2,719)	(599)	2,397	4,203
Non-current liabilities	**(1,258)**	(1,075)	(1,659)	(727)	(727)
Net (liabilities) assets	**(11,679)**	9,983	13,940	23,103	30,060
Minority interests	**1,198**	3,475	4,983	7,944	9,969