

NEVSTAR CORP  
Form 8-K  
March 31, 2008

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# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

## FORM 8-K

### CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): **March 31, 2008 (March 31, 2008)**

## NEVSTAR CORPORATION

(Exact name of registrant as specified in Charter)

**Nevada**  
(State or other jurisdiction of  
incorporation or organization)

**000-21071**  
(Commission File No.)

**88-0309578**  
(IRS Employee Identification No.)

**123 Chuangye Road, Haizhou District, Fuxin City, Liaoning Province, P.R.C. 123000**

(Address of Principal Executive Offices)

**86-418-3995066**

(Issuer Telephone number)

**12890 Hilltop Road, Argyle, TX 76226**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This document contains forward-looking statements, which reflect our views with respect to future events and financial performance. These forward-looking statements are subject to certain uncertainties and other factors that could cause actual results to differ materially from such statements. These forward-looking statements are identified by, among other things, the words anticipates, believes, estimates, expects, plans, projects, targets expressions. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Important factors that may cause actual results to differ from those projected include the risk factors specified below.

## **USE OF DEFINED TERMS AND TREATMENT OF STOCK SPLIT**

Except as otherwise indicated by the context, references in this report to:

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Nevstar, the Company, we, us, or our, are references to the combined business of Nevstar Corporation, wholly-owned subsidiaries, Dollar Come Investment Limited, Fuxin Hengrui Technology Co., Ltd., Fuxin Xianheng Float Glass Co., Ltd., and Fuxin Hengrui Tianyuan New Energy Sources Co., Ltd., but do not include the stockholders of Nevstar Corporation;

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Dollar Come refers to Dollar Come Investments Limited, a British Virgin Islands corporation and our direct, wholly owned subsidiary, and/or its direct and indirect subsidiaries, as the case may be;

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Fuxin Hengrui refers to Fuxin Hengrui Technology Co. Ltd, a PRC corporation and our indirect, wholly-owned subsidiary;

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Fuxin Xianheng refers to Fuxin Xianheng Float Glass Co. Ltd, a PRC corporation and our indirect, wholly-owned subsidiary;

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Fuxin Hengrui Tianyuan refers to Fuxin Hengrui Tianyuan New Energy Sources Co., Ltd., a PRC corporation and our indirect, wholly-owned subsidiary;

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China, Chinese and PRC, refer to the People's Republic of China;

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BVI refers to the British Virgin Islands;

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RMB refers to Renminbi, the legal currency of China;

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U.S. dollar, \$ and US\$ refer to the legal currency of the United States;

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Securities Act refers to the Securities Act of 1933, as amended; and

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Exchange Act refers to the Securities Exchange Act of 1934, as amended.

## **ITEM 1.01**

### **ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT**

On March 31, 2008, we entered into a share exchange agreement, (the "Share Exchange Agreement"), with Dollar Come, a British Virgin Islands company, and all of the shareholders of Dollar Come. Pursuant to the Share Exchange Agreement, on March 31, 2008 the shareholders of Dollar Come transferred all of the shares of the capital stock of Dollar Come held by them, constituting all of the issued and outstanding stock of Dollar Come, in exchange for 23,751,710 newly issued shares of our common stock that, in the aggregate, constituted 95% of our issued and outstanding capital stock on a fully-diluted basis as of and immediately after the consummation of such exchange. As a result of this transaction, 25,001,800 shares of our common stock are currently issued and outstanding.

The foregoing description of the terms of the Share Exchange Agreement is qualified in its entirety by reference to the provisions of the document filed as Exhibit 2.1 to this report, which is incorporated by reference herein.

**ITEM 2.01**

**COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS**

On March 31, 2008, we completed an acquisition of Dollar Come pursuant to the Share Exchange Agreement. The acquisition was accounted for as a recapitalization effected by a share exchange. Dollar Come is considered the acquirer for accounting and financial reporting purposes. The assets and liabilities of the acquired entity have been brought forward at their book value and no goodwill has been recognized.

**FORM 10 DISCLOSURE**

As disclosed elsewhere in this report, on March 31, 2008, we acquired Dollar Come in a reverse acquisition transaction. Item 2.01(f) of Form 8-K states that if the registrant was a shell company like we were immediately before the reverse acquisition transaction disclosed under Item 2.01, then the registrant must disclose the information that would be required if the registrant were filing a general form for registration of securities on Form 10.

Accordingly, we are providing below the information that would be included in a Form 10 if we were to file a Form 10. Please note that the information provided below relates to the combined enterprises after the acquisition of Dollar Come, except that information relating to periods prior to the date of the reverse acquisition only relate to Dollar Come unless otherwise specifically indicated.

**DESCRIPTION OF BUSINESS**

**Our Corporate Structure**

We are a Nevada holding company for several direct and indirect subsidiaries in the BVI and China. Our principal operations in China are conducted through Fuxin Hengrui which is held by our direct wholly-owned subsidiary Dollar Come, a BVI corporation, and Fuxin Xianheng which is jointly held by Dollar Come and Fuxin Hengrui. Dollar Come has no active business operations other than their ownership of Fuxin Hengrui. Fuxin Hengrui was incorporated in China in September 2002 and is now 100% owned by Dollar Come. Fuxin Xianheng was incorporated in April 2004 and is now 75% owned by Fuxin Hengrui and 25% owned by Dollar Come. Fuxin Tianyuan was incorporated in May 2006 and is 100% owned by Fuxin Hengrui.

The following chart reflects our organizational structure as of the date of this report.

## Our Corporate History

We were incorporated on December 2, 1993 in the State of Nevada under the name of Mesquite Gaming Corp. The Company was formed to acquire, develop, construct, own and manage hotel/casino projects. On July 1, 1998, the Company opened for business and began receiving revenues from operations. On December 1, 1999, the Company filed a voluntary petition for relief under Chapter 11 in the United States Bankruptcy Court, District of Nevada (the Bankruptcy Court ) and acted as debtor in possession. On July 10, 2000, the Company again filed a voluntary petition for relief under Chapter 11 in the Bankruptcy Court and acted as debtor in possession. On September 6, 2005, the Bankruptcy Court issued a final decree in the Chapter 11 proceedings, formally removing the Company from the oversight of the Bankruptcy Court and ending all bankruptcy proceedings.

On October 11, 2005, the Company entered into a Stock Purchase Agreement with Halter Financial Investments, L.P., a Texas limited partnership ( HFI ) pursuant to which the Company sold 250,000 newly issued, restricted post-reverse split shares of its common stock to HFI for gross proceeds of \$75,000. The Company relied upon Section 4(2) of the Securities Act of 1933, as amended, for an exemption from registration of these shares. As a result of this transaction, HFI became the Company's controlling stockholder, owning approximately 59.6% of the 419,436 issued and outstanding shares of the Company's Common Stock.

On November 17, 2006, the Company sold to HFI 723,641 shares of restricted common stock for \$217,092.30 or \$.30 per share. The transaction was effected pursuant to the terms of a Stock Purchase Agreement entered into by the Company and HFI on November 17, 2006. The purchase transaction was effected without registration in reliance upon Section 4(2) of the Securities Act of 1933. The form and terms of the purchase agreement were agreed upon as part of the October 2005 change in control transaction as disclosed in the Company's Current Report filed with the SEC on October 12, 2005.

On November 17, 2006, the Company entered into a Settlement and Stock Issuance Agreement with W/F Investment Corp. ( W/F ), a shareholder of the Company, pursuant to which it paid to W/F the amount of \$100,000 and issued to W/F 107,000 shares of restricted common stock in settlement of the Company's \$501,945.66 debt obligation to W/F. The form and terms of the agreement were agreed upon as part of the October 2005 change in control transaction as disclosed in the Company's Current Report filed with the SEC on October 12, 2005.

The Company's emergence from Chapter 11 of Title 11 of the United States Code on November 22, 2002 created the combination of a change in majority ownership and voting control - that is, loss of control by the then-existing stockholders, a court-approved reorganization, and a reliable measure of the entity's fair value- resulting in a fresh start, creating, in substance, a new reporting entity. Accordingly, the Company, post bankruptcy, has no significant assets, liabilities or operating activities. Therefore, the Company, as a new reporting entity, qualifies as a "development stage enterprise" as defined in Statement of Financial Accounting Standard No. 7, as amended.



On March 31, 2008, we completed a reverse acquisition transaction through a share exchange with Dollar Come whereby we issued to Money Victory Limited, Win-Win Global Investments Inc. and trust beneficially holding shares of Dollar Come for 202 individuals located in the PRC who were the former shareholders of Dollar Come, 23,751,710 shares of our common stock, in exchange for all of the issued and outstanding capital stock of Dollar Come, Dollar Come thereby became our wholly owned subsidiary and Ms. Lin Tan and Ms. Yan Tan became our controlling stockholders. We plan to amend our articles of incorporation to change our name from Nevstar Corporation to China Golden Elephant Glass Technology, Inc.

### **Background and History of Dollar Come and Fuxin Hengrui**

Dollar Come Investments, Limited was incorporated in the British Virgin Islands in February 2004. Fuxin Hengrui was incorporated in China in September 2002 and is now 100% owned by Dollar Come.

### **Acquisition of Dollar Come**

On March 31, 2008, we completed a reverse acquisition transaction with Dollar Come whereby we issued to the shareholders of Dollar Come 23,751,710 shares of our common stock in exchange for all of the issued and outstanding capital stock of Dollar Come. Dollar Come thereby became our wholly owned subsidiary and the former shareholders of Dollar Come became our controlling stockholders.

Upon the closing of the reverse acquisition, Timothy Halter, our sole director and officer, submitted a resignation letter pursuant to which he resigned from all offices that he held effective immediately and from his position as our director that will become effective on the tenth day following the mailing by us of an information statement, or the Information Statement, to our stockholders that complies with the requirements of Section 14f-1 of the Exchange Act, which will be mailed out on or about March 31, 2008. Lihui Song was appointed as our director effective upon the closing of the reverse acquisition. In addition, our executive officers were replaced by the Fuxin Hengrui executive officers upon the closing of the reverse acquisition as indicated in more detail below.

Additionally, effective as of the closing of the share exchange, we changed our fiscal year end from June 30 to December 31, which is the fiscal year end of Dollar Come.

For accounting purposes, the share exchange transaction was treated as a reverse acquisition with Dollar Come as the acquirer and Nevstar Corporation as the acquired party. When we refer in this report to business and financial information for periods prior to the consummation of the reverse acquisition, we are referring to the business and financial information of Dollar Come on a consolidated basis unless the context suggests otherwise.

## **Business Overview**

We are a leading China-based float glass manufacturer. Our product offerings include float glass, ultra-clear glass (also called crystal glass), colored float glass and high grade, glass processed products such as mirrors, glass artwork, tempered glass, insulated glass, laminated glass, lacquered glass and similar products. We have been manufacturing our glass products from our production facility in Fuxin City, Liaoning Province, China since 2002 and sell our products to end users in China, Asia, Europe, South America and South Africa. We ranked second in the Northeast China glass market based on sales revenues and production capacity according to a report issued by China Construction Products Quality Supervision Association.

We design, develop, manufacture and market our products for use in a variety of end products, including automobiles, commercial and residential buildings, construction materials, furniture and display cases, lighting fixtures and decorative glass artwork, bath fixtures and electrical household appliances, such as refrigerators and microwave ovens. We sell our products to automakers and auto parts suppliers, building contractors and building material suppliers and manufacturers of retail goods, both directly and through a broad distributor network. Our customers and suppliers include Anshan Xingsheng Glass Distribution Office, Fuxin Economic and Technological Development Zone Guangyao Materials Center, Guangzhou Jingyao Glass Co., Ltd., Jilin Hongda Industrial Co., Ltd., Hengrui Wooden Cases Factory, Fuxin Laixi Commerce and Trade Co., Ltd. and Fujian Chengda Glass Trade Co., Ltd.

Our glass and glass products are manufactured in a broad range of colors and specifications which are usually measured by thickness and width and range between 2-23 millimeters in thickness and 3,300 millimeters in width. Our glass products are marketed primarily under the Golden Elephant brand name. Our total annual production capacity of our glass products is currently 4.95 million weight cases and we maintain two production lines which have an aggregate daily melting capacity of over 800 tons.

Due to our focus on research and development and use of technologically advanced production methods and our utilization of cost efficient raw materials, we have become a low cost provider of high quality products. Our glass products have been given a GB 11615-199 certification by the Chinese National Quality Standards for glass products and passed the annual inspections conducted by Chinese National Glass Inspection Committee since 2004. Our products also have been certified by ISO 9001-2000, a Chinese Quality System and ESC certification, a European Quality Certification for construction products, with the valid term from March 24, 2007 to March 24, 2010. We transport our products by train and expressway.

Our sales revenue increased from \$24.58 million in 2005 to \$30.25 million in 2006. Our net income decreased from \$0.46 million in 2005 to a \$3.65 million loss in 2006. Our sales revenue increased 88.67% from \$20.96 million in the nine months ended September, 30, 2006 to \$39.55 million in the same period in 2007, and our net income grew 258.09% from -3.11 million in the nine months ended September,30, 2006 to \$4.91 million in the same period in 2007.

## **Our Industry**

### ***Overview of Global Glass Industry***

The glass market is a basic raw material industry which accounted for approximately \$46 billion in global sales during 2006 according to Analyzed Report on Investment and Development of Chinese Glass Industry (2006-2007).

In 2005, the global market for flat glass in 2005 was approximately 40 million tons according to a 2006 report issued by the Pilkington Group. Demand for high quality float glass was approximately 25 million tons, demand for sheet glass was three million tons, demand for rolled glass was two million tons and the remaining 11 million tons represented demand for lower quality float glass. Approximately 70% of this tonnage is used in the construction industry, 10% is used in the automotive industry and 20% is used in furniture and other interior applications.

Global demand for flat glass is expected to rise 5.2% annually through 2010 with the strongest gains in fast developing regions such as greater Asia, especially China and India. Much of this growth is expected to be driven by the construction and automotive industries and also by legislation and regulations concerning safety, noise reduction and the response to the growing need for energy conservation.

Approximately three-quarters of the demand for glass is generated by Europe, China and North America and four companies -- NSG/Pilkington, Saint-Gobain, Asahi and Guardian -- produce approximately 67% of the high quality float glass, which is rapidly replacing lower quality float and sheet glass.

### ***Overview of Chinese Glass Industry***

China's importance as a producer and consumer of glass and glass products has been swiftly growing since the 1990s as its economy has opened and become more developed and vibrant. China currently accounts for over 33% of the world glass demand, up from approximately 20% just a decade ago.

In 2005, China produced approximately 19 million tons of flat glass, representing over 40% of the total worldwide output. The glass industry in China, however, experienced a cyclical downturn in recent years lasting through the end of 2005 as a result of a challenging regulatory environment, increased raw material costs and higher manufacturing costs. Industry wide sales revenue reached RMB 30.2 billion in 2005 an increase of 12.6% over 2004; however production costs during the same period rose by 28.23%, resulting in a 68.2% decrease of net income as compared

with 2004.

Based on the continued growth rate in the Chinese gross domestic product, the rapid industrialization, urbanization and construction of new rural areas of Chinese and the extensive use of energy-saving glass, we believe that the glass industry will rebound measurably. This recovery is also predicted in the Eleventh Five-year Plan which estimates domestic demand for flat glass will grow from 365.7 million weight cases in 2005 to approximately around 520 million weight cases in 2010.

We believe that recovery of the glass industry in China also is marked by the following factors:

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Chinese demand for high quality float glass is growing at the rate of 10% per annum, but the number of western style production lines for these products remains low in China.

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Oversupply of glass has slowed considerably with output amounting to 405 million weight cases in 2006, matching the approximate 10% growth in demand.

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The price of float glass stopped declining and recovered in the second half of 2006 with prices up about 2% in the first quarter of 2007 as compared to the fourth quarter of 2006.

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The price of raw materials used in the glass production industry, particularly heavy oil and pure alkali, have declined dramatically since the second half of 2006, approximately 16.72% and 27.72% respectively.

- Net profits in the glass industry reached RMB 97.27 million during January-February 2007 as compared to an overall RMB 440 million loss during the same period of 2006.

### ***Growth of the Chinese Glass Industry***

We believe that both production and demand for glass and glass products will continue to grow in China and abroad over the next five years at a rate of 10% due to the following factors:

- ***The domestic glass industry can capitalize on China's overall GDP growth.*** According to the Eleventh Five-Year Plan for National Economic and Social Development, Chinese GDP is expected to maintain an annualized growth rate exceeding 8%. This overall economic growth is driven largely by the construction and automotive industries which are the two largest consumers of our products. We believe that continued demand by these and other industries as well as the rapid industrialization, urbanization and construction of new rural areas of our country will create growth opportunities for us.

- ***Industry Shift.*** For a variety of reasons, China is becoming a leading industrial and manufacturing center. There is a global trend towards moving manufacturing operations from countries where manufacturing costs are generally higher to countries such as China, where the manufacturing costs are generally lower. More foreign multinational companies are entering the Chinese market to manufacture their goods which affords us greater opportunity to sell our products to them. We believe that this trend of large multinational companies seeking to produce their products in China will benefit us.

- ***Development of a Global Marketplace.*** In connection with China's entry into the World Trade Organization in 2005, trade barriers affecting the glass industry were eliminated and Chinese glass manufacturers were afforded a worldwide market. In 2005, exports of glass from China grew from 188 tons in 2005 to 254 in 2006, representing a 35.4% growth rate. While the growth rate may not reach historic level, we believe that Chinese glass manufacturers have a significant opportunity to satisfy demand in the global market.

### **Our Competitive Strengths**

We believe that the following strengths enable us to compete effectively in and to capitalize on growth of the glass industry in China:

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**Leading market position.** In 2006, we ranked second in Northeast China in the glass market in terms of sales revenue and production capacity.

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**Possession of developed industrial technologies.** We believe that we are the first China-based manufacturer capable of producing ultra-clear glass using self-developed technologies. We also developed a proprietary synthetic fuel oil called 520 Fuel Serum, which can be used as a substitute for 65 tons of heavy fuel oil per day.

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**Highly experienced and incentivised research and development team.** We have a R&D department composed of 32 engineers with years of experiences.

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**Capacity to produce a broad product mix.** We have production lines for daily melting capacity for 500 tons of high quality float glass and 300 tons of high quality, ultra-clear and colored float glass, and we also have processing line for mirrors and processing equipment for other glass products such as insulating glass, tempered glass and laminated glass.

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**Low cost, high quality products.** We focus on manufacturing and selling high quality glass at competitive prices.

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**Long-term relationships.** Approximately 90% of our products are sold through a broad network of distributors with which we have had long standing relationships.

## Our Growth Strategy

We are committed to enhancing our sales, profitability and cash flows through the following strategies:

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***Leverage strength of specialty product lines.*** We believe that the market for ultra-clear float glass will grow at a compound annual growth rate of 24% through 2010 based on estimated growth rates for lighting products, showcases, decorative crystal artwork, bath fixtures, household appliances, decorative building materials and solar panels. We intend to leverage our capabilities in producing specialty float glass and capitalize on the expected demand from manufacturers of these end products.

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***Minimize adverse fluctuations in raw material costs.*** We intend to control our raw material costs by developing in-house capabilities for sourcing key raw materials and by establishing long-term commitments with suppliers for future expected raw material requirements.

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***Increase production and glass processing capacity.*** We intend to expand our production and glass processing capacity by increase and enhancing our production lines and equipment and by expanding our product mix.

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***Strengthen our research and development capabilities.*** We plan to invest in personnel, technology and equipment to further improve our research and development capabilities. We expect that this investment will contribute to our ability to further control our production costs and develop new high quality products.

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***Capitalize on positive reputation and expertise.*** We hope to continue new product development while leveraging our strong customer relationships as a means of cross-selling our new products. We also plan to apply our existing technical and manufacturing expertise to develop innovative new product lines.



## Our Operations

Our core product lines can be categorized as float glass products, consisting primarily of flat glass and specialty float glass products which are produced using the float glass methodology. The float methodology is currently used to manufacture virtually all of the flat glass in the world.

This manufacturing process produces a flat sheet of glass and consists of the following six essential steps:

(1)

**Batch mixing.** The raw materials (silica sand, soda ash and dolomite/limestone) are weighed and mixed and placed into a high temperature furnace where they are melted at 1500° C into molten glass.

(2)

**Float bath.** The molten glass mixture then is directed to a pool of liquid tin on which the molten glass floats while hardening. The glass, which is viscous, and the tin, which is fluid, do not mix and the contact surface between these two materials is perfectly flat.

(3)

**Coating.** At this stage, specialized metal oxides coatings can be applied to the glass surface while the glass is still hot in the annealing lehr in order to improve its performance or enhance its appearance.

(4)

**Annealing.** Whether or not the molten glass is coated, the molten glass is slowly cooled or annealed as it passes into an annealing chamber called a lehr. Here it is cooled at controlled temperatures, until it is essentially at room temperature.

(5)

**Inspection.** Next the glass is inspected to ensure that it meets specifications and quality requirements.



(6)

**Cutting and Shipping.** Finally, the float glass is then cut into large standard sheets or cut to size depending on its intended use and is ready to be shipped.

A description of the uses of our float glass and our products benefits are as follows:

**Heavy Float Glass.** Our heavy float glass products, which are available in a variety of sizes, are manufactured based on our customers' desired performance specifications with respect to thickness and tolerance, total weight, energy efficiency and light transmittance. Our products are designed to control energy usage, provide thermal insulation and a noise barrier as well as afford safety and security. Heavy float glass products are used in a wide variety of products including windows, doors, skylights, shelving, tabletops, and automotive applications.

**Ultra-Clear Glass and Colored Float Glass.** Our Ultra-Clear float glass products are produced to have a higher percentage of light transmittance of up to 91.87% (as compared to 80-85% in our heavy float glass products) which results in glass product with enhanced clarity and greater translucence. This product line is designed to offer functional benefits in addition to aesthetic benefits, such as color, shaping, patterns and texture. Ultra-Clear Glass is used to produce high end products such as luxury chandeliers and artificial crystal crafts.

**Specialty Glass Processed Products.** Using a variation on the standard float glass production methodology, we manufacture and sell specialty float glass products which include mirrors, tempered glass, insulated glass, laminated glass, lacquered glass, etc.

## **Manufacturing Facilities**

Our primary manufacturing facility is located in Fuxin City in the Liaoning Province, China. Our goal has been to construct manufacturing facilities which operate at peak efficiency while maintaining high workplace safety and environmental compliance standards.

As of September 30, 2007, we had 815 employees currently working at our two float glass production lines and various production equipment.

We own one production line which became operative in August 2003 and has daily melting capacity of 500 tons. We leased another production line from the liquidation committee of Fuxin Guangya Flat Glass Co. Ltd with a term ending on the earlier of (i) ten years starting from August 25, 2004; or (ii) the closing date of the liquidation process for Fuxin Guangya Flat Glass Co. Ltd. We upgraded this production line and it went into operation in September 2005. The production line has a daily melting capacity of 300 tons and up to 1.65 million weight cases production capacity of ultra-clear and colored float glass annually. Our production lines are designed to operate continuously, 365 days per year, throughout a 6 to 10 years initial operating life. Float lines are normally capable of several campaigns after the initial operating life following major repair and upgrade programs. Our capital expenditures for these production lines have been over \$35 million.

Our production lines operate on 3 eight-hour shifts per day over a 7-day work week. Full utilization of our assembly lines is defined on this basis, and overtime production may result in utilization rates exceeding 100%. Our average utilization rate during 2006 and 2007 has been 100% and 100%, respectively.

We also maintain a mirror processing line and processing equipment used to produce mirrors, glass artwork, tempered glass, insulated glass, laminated glass, lacquered glass and other processed glass products.

## **Raw Materials**

The primary raw materials and components we use to produce our glass and glass products are silica sand, soda ash, dolomite/limestone and mirabilite. We also have high energy requirements due to the extreme nature of the production process. Our primary raw material account for approximately 37% of our total production costs and fuel and energy account for approximately 46% of total production costs. We attempt to source our raw materials locally or regionally in order to maintain quality control and minimize transportation costs.

Recently, we developed a proprietary synthetic fuel oil called 520 Fuel Serum, which can be used as a substitute for 65 tons of heavy fuel oil per day, thereby creating for us significant cost savings for us. We expect that the use of 520 Fuel Serum will result in annual cost savings of approximately \$4 million annually or 8%, as a percentage of revenues.

The costs of some of our raw materials from 2004 to 2006 and through September 30, 2007 are as follows:

	<b>September 30, 2007*</b>	<b>2006*</b>	<b>2005*</b>	<b>2004*</b>
Sandstone	\$ 1,047,226.53	\$ 1,157,833.02	\$ 1,186,860.77	\$ 1,102,165.01
Silicon Sand	279,534.37	424,226.03	288,295.40	286,440.78
Dolomite	347,513.59	406,055.43	341,097.54	240,683.53
Limestone	208,158.05	169,306.98	101,429.09	68,833.61
Pure alkali	6,452,555.47	8,430,217.87	6,306,386.32	5,004,839.50
Mirabilite	117,020.79	123,030.79	80,051.28	73,752.18
Broken Glass	768,338.15	456,581.01	1,066,588.63	832,074.03
Heavy Oil	6,311,471.93	4,552,402.41	5,827,704.54	6,165,662.05
520 Fuel Slurry	1,184,969.59	1,252,954.91	-	-
<b>Total</b>	<b>\$ 16,716,788.47</b>	<b>\$ 16,972,608.45</b>	<b>\$ 15,198,413.57</b>	<b>\$ 13,774,450.69</b>

\* amounts converted from RMB to US dollars at the exchange rate of RMB 1=US\$0.1306 on September 30, 2007.

### Our Suppliers and Supplier Arrangements

We purchase the majority of our raw materials from suppliers located in China who are able to furnish us raw material that meet our quality standards and terms of delivery. We utilize local suppliers in close proximity to us, typically within 150 kilometers of our manufacturing facilities, in order to closely supervise their activities and monitor quality.

If geographically proximate suppliers continue to be able to provide high quality raw materials and components to us, we intend to continue to source our raw materials and components from them to take advantage of lower shipping costs and favorable quality control capabilities. Our suppliers must meet our quality standards and delivery requirements consistently to remain on our approved supplier list. We utilize at least three suppliers for each major raw material and we order from each of them in order to avoid dependence on specific major suppliers. If a supplier furnishes suboptimal materials to us or is repeatedly late in deliveries, we remove them from our approved supplier list.

We typically purchase raw materials and components from our suppliers on credit, with terms requiring payment within 90 days following the delivery of the raw materials or components. When we purchase raw materials and components from PRC suppliers, we are able to pay in Renminbi.

Our largest suppliers in terms of annual cash expenditures through September 30, 2007 are Shandong Haihua Co., Ltd., Dalian Chemical Group Co. Ltd., Ruicheng Economic and Trade Company of Dalian Bonded Area, Erdos Mengxing Chemical Co. Ltd. and Panjin Guangda Liquid Ammonia Distribution Station, which collectively accounted for approximately \$5,496,954 in expenditures through September 30, 2007.

## **Our Distributors and Customers**

We sell approximately 90% of our glass products through various regional distributors in China. We have established and maintained long term relationships with major distributors who we believe have local business experience and established regional sales networks. For the year ended December 31, 2006, approximately 75% of our sales revenue came from our top ten distributors, with Anshan Xingsheng Glass Distribution Office and Fuxin Economic and Technological Development Zone Guangyao Materials Center alone accounting for approximately 39% of our total annual sales in 2006 and approximately 23% of our total sales for the first three quarters of 2007.

Our ten largest distributors and annual revenues are as follows:

Name	Annual Revenues during 2006 fiscal year *
Anshan Xingsheng Glass Distribution Office	\$ 7,636,182
Fuxin Economic and Technological Development Zone Guangyao Materials Center	4,634,994
Guangzhou Jingyao Glass Co., Ltd.	2,186,244
Jilin Hongda Industrial Co., Ltd.	1,697,800
Hengrui Wooden Cases Factory	1,637,724
Fuxin Laixi Commerce and Trade Co., Ltd.	1,564,588
Fujian Chengda Glass Trade Co., Ltd.	1,439,212
Dalian Hongshi Commerce and Trade Co., Ltd.	1,080,062
Qinhuangdao Guoyao Heping Commerce and Trade Co., Ltd.	748,338
Tangshan Fengrun Xinfeng Glass Firm	600,760

\* amounts converted from RMB to US dollars at the exchange rate of RMB 1=US\$0.1306 on September 30, 2007.

## Sales and Marketing

As of September 30, 2007, our sales department consisted of twelve employees, each of whom assigned to be in contact with our primary distributors. Members of our sales team generate sales leads by contacting prospective distributors directly and by attending industry trade shows and exhibitions. In addition, we utilize internet to advertise and introduce ourselves to overseas potential customers and we are developing our sales networks in China by establishing warehouses and agents in each major cities. We utilized the new marketing strategy in Dalian in 2006 which proved to be successful.

## Competition

Our experience is that the global glass manufacture industry is dominated by several major global manufacturers and then becomes extremely fragmented with numerous smaller regional manufacturers.

Our major international competitors are NSG/Pilkington Group Limited, Saint-Gobain, Asahi and Guardian, which manufacture nearly 70% of the glass produced in the world, have more resources and greater brand recognition than we enjoy. While our resources may not be as great as our larger competitors, we believe our product quality, sales network, and sales and distribution network in China are superior.

We also compete with approximately 300 small-sized, local Chinese glass manufacturers. The number of these small companies varies from time to time. While we may have greater resources than our smaller competitors, it is possible that these competitors have better access in certain local markets to customers and prospects or an enhanced ability to customize products to a regional industry sector. Our major competitors in China include Shandong Jinjing Science & Technology Stock Co., Ltd., CSG Holding Co., Ltd, Luoyang Glass Company Limited.

### **Intellectual Property**

Our goal is to utilize our intellectual property to provide us with a competitive advantage or significant cost savings.



Our subsidiaries, Fuxin Hengrui Tianyuan holds two utility model patents and three invention patent applications pending registration and Fuxin Hengrui holds one invention patent application pending registration which relate to the development and application of its synthetic fuel oil called 520 Fuel Serum. Fuxin Hengrui also registered the trademark Golden Elephant in Chinese characters for various glass products and filed the trademark application for Golden Elephant in English characters on Jan 28, 2008 which is pending registration with the Trademark Office of the State Administration of Industry and Commerce of China. In the future, we will seek protection of our intellectual property where we believe there to be strategic importance in doing so.

We cannot give any assurance that the protection afforded our intellectual property will be adequate. It may be possible for third parties to obtain and use, without our consent, intellectual property that we own or are licensed to use. Unauthorized use of our intellectual property by third parties, and the expenses incurred in protecting our intellectual property rights, may adversely affect our business.

## **Properties**

There is no private land ownership in China. Individuals and companies are permitted to acquire land use rights for specific purposes. We were granted land use rights from the PRC government for 134318.5 square meters of land located in the Glass Industrial Park at 123 Chuangye Road, Haizhou District, Fuxin City, Liaoning Province, China. We also have 21 properties located at 123 Chuangye Road, Haizhou District, Fuxin City, Liaoning Province, China. The land use rights will expire on September 18, 2052. We have placed mortgages on the land and 19 properties to secure certain bank loans for an amount up to approximately \$8.3 million.

We also lease land use right for 108,068 square meters and 42 properties (aggregated surface of 22,470.22 square meters) from Fuxin Guangya Flat Glass Co. Ltd. We believe that all our properties have been adequately maintained, are generally in good condition and are suitable and adequate for our business.

Dongfang Company which is owned by our majority stockholder Ms. Lin Tan transferred some properties including a hotel and some villas to Fuxin Hengrui to be used as collateral for a bank loan. On June 30, 2006, Fuxin Hengrui transferred the properties back to Dongfang Company after the bank loan was repaid.

## **Environmental Matters**

During the glass production, there are unavoidable emissions of sulfur oxide and other exhaust gases and by-products which can be environmentally harmful. Our goal is to maintain an environmentally conscious operation so we have sought to develop, promote and utilize new technologies and techniques that minimize the environmentally harmful

effects of exhaust gas from our melting kilns. In order to minimize the negative effect of these substances on the environment, China also has adopted strict environmental standards for these emissions and discharges of environmental pollutants. Accordingly, our manufacturing facilities are subject to various pollution control regulations with respect to noise and air pollution and the disposal of waste and hazardous materials. We also are subject to periodic inspections by local environmental protection authorities. Our operating subsidiaries have received certifications from the relevant PRC government agencies indicating that their business operations are in material compliance with the relevant PRC environmental laws and regulations. We are not currently subject to any pending actions alleging any violations of applicable PRC environmental laws. Environmental approval is currently pending with Fuxin authorities.

## **Regulation**

Because our operating subsidiaries are located in the PRC, we are regulated by the national and local laws of the PRC.

We are subject to the environmental regulations described in the preceding section entitled **Our Business Environmental Matters**.

There is no private ownership of land in China. Upon payment of a land grant fee, land use rights can be obtained from the government for a period unto 50 years in the case of industrial land and are typically renewable. We have received the necessary land use rights certificate for 264,000 square meters of land located in the Glass Industrial Park 123 Chuangye Road, Haizhou District, Fuxin City, Liaoning Province, China.

We are also subject to China's foreign currency regulations. The PRC government has controlled Renminbi reserves primarily through direct regulation of the conversion of Renminbi into other foreign currencies. Although foreign currencies, which are required for current account transactions, can be bought freely at authorized PRC banks, the proper procedural requirements prescribed by PRC law must be met. At the same time, PRC companies are also required to sell their foreign exchange earnings to authorized PRC banks, and the purchase of foreign currencies for capital account transactions still requires prior approval of the PRC government.

Under current PRC laws and regulations, FIEs may pay dividends only out of their accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, FIEs in China are required to set aside at least 10.0% of their after-tax profit based on PRC accounting standards each year to their general reserves until the cumulative amount of such reserves reaches 50.0% of their registered capital. These reserves are not distributable as cash dividends. The board of directors of an FIE has the discretion to allocate a portion of the FIEs after-tax profits to staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation.

We do not face any significant government regulation in connection with the production of our products. We do not require any special government permits to produce our products other than those permits that are required of all corporations in China.

## **Our Employees**

As of September 30, 2007, we employed 815 full-time employees.

As required by applicable PRC law, we have entered into employment contracts with most of our officers, managers and employees. We are working towards entering employment contracts with those employees who do not currently have employment contracts with us. We believe that we maintain a satisfactory working relationship with our employees, and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations.

Our employees in China participate in a state pension scheme organized by PRC municipal and provincial governments. We are currently required to contribute to the scheme at the rate of 20% of the average monthly salary.

In addition, we are required by PRC law to cover employees in China with various types of social insurance, and we believe that we are in material compliance with the relevant PRC laws.

## **Insurance**

We maintain property insurance for our premises located at Fuxin, China where our main production facilities are located. The aggregate maximum amount covered by our insurance policy is up to RMB 83 million (approximately \$11 million). We also maintain property insurance for our automobiles. We do not maintain business interruption, product liability insurance or key-man life insurance. We believe our insurance coverage is customary and standard of companies of comparable size in comparable industries in China. However, we cannot ensure that our existing insurance policies are sufficient to insulate us from all losses and liabilities that we may incur.

## **Litigation**

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. We are currently not a party to any legal proceeding and are not aware of any legal claims that we believe will have a material adverse affect on our business, financial condition or operating results.

## **RISK FACTORS**

*An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this report, before making an investment decision. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.*

## **RISKS RELATED TO OUR BUSINESS**

***Our business will be harmed if the glass industry in China, which has experienced oversupply problems for several years, does not realize an increase in demand at the pace we expect.***

Historically, the glass industry has been characterized by wide fluctuations in the demand for, and supply of, glass and glass products. As recently as 2005 and 2006, these fluctuations have resulted in the glass supply, especially supply of low cost and low quality glass, greatly outpacing demand for these products negatively influencing the high quality flat glass market. Within the past two years, more than 300 flat glass production enterprises have commenced business. Most of the newly established glass production enterprises are smaller businesses using outdated technologies to produce low quality flat glass. Currently, the demand for high quality float glass is considerable and over 60 new float glass production lines have become operable in China, producing float glass with higher quality, consequently supplanting the demand imported high quality float glass. The demand for high quality float products is increasing and China is starting to regulate low quality glass production factories thereby creating a more favorable competitive environment. Therefore, we believe that the glass industry is demonstrating signs of recovery. Nevertheless, any prolonged oversupply of glass could result in severe downward pricing pressure on glass manufacturers and impair our profitability.

***Our revenue will decrease if the construction and building materials, automotive or electrical household appliance industries experience a downturn.***

Our glass and glass products serve as key components in construction and building materials, automobiles and electrical household products. Therefore, we are subject to the general changes in economic conditions affecting these segments of the economy. Demand for the products using our glass and, consequently, demand for our glass products is typically affected by a number of economic factors, including, but not limited to, consumer interest rates, consumer confidence, retail trends, construction of commercial and residential building, and the level of mortgage financing. If there is a decline in economic activity in China and the other markets in which we operate or a decrease of sales of construction materials, automobiles or electrical household appliances, demand for our glass and glass products will decline and our revenue will decrease.

***The glass manufacturing industry is particularly sensitive to negative macroeconomic conditions which could pose complications for our business and harm our profitability.***

Like other suppliers of raw materials, glass manufacturers are particularly dependent on general economic conditions, performance in other industry segments, labor costs, import duties and tariffs, competition and currency exchange rates. These macroeconomic factors have historically resulted in wide fluctuations in the glass manufacturing industry both in China and globally. In our case, future economic downturns, stagnant economies or currency fluctuations, in

China or globally, could decrease the demand for glass or glass products or increase the amount of imports of glass and glass products into China. Our sales, margins and profitability will be harmed under such circumstances. In addition, the glass manufacturing industry is highly reliant upon energy generally and heavy oil in particular, which is the core fuel used in the production of flat glass. With the price of heavy oil escalating worldwide, our manufacturing costs likewise rise thereby jeopardizing our profitability and financial performance.

*Approximately 75% of our sales revenues were derived from our ten largest customers and 39% of our sales revenues in 2006 and 23% for the first three quarters of 2007 were derived from our two largest customers, and any reduction in revenues from any of these customers would reduce our revenues and net income.*

While we have over 50 active distributors and customers, approximately 75% of our sales revenue in 2006 came from our top ten customers, with Anshan Xingsheng Glass Distribution Office and Fuxin Economic and Technological Development Zone Guangyao Materials Center alone accounting for approximately 39% of our sales revenue in 2006 and 23% for the first three quarters of 2007. If we cease to do business at or above current levels with Anshan Xingsheng Glass Distribution Office and Fuxin Economic and Technological Development Zone Guangyao Materials Center or with any other large distributors or customers which contribute significantly to our sales revenues, and we are unable to generate additional or substitute sales revenue, our net income would decline considerably.

***Our business is seasonal and if we fall significantly short of our anticipated earnings the first and fourth quarters, it will significantly decrease the working capital available to us which may adversely affect our purchasing abilities.***

Our Company's business is seasonal, with most of our sales and operating income being generated in the second and third quarters of each year, lesser amounts in the first and fourth quarters of each year. Our working capital requirements fluctuate during the year with increased working capital demands and constraints during the first and fourth quarters as a result of this seasonality. If we fall significantly short of our anticipated earnings in either the first or fourth quarters, it will decrease the working capital available to us in such quarters. Due to limitations on borrowing levels, a decrease in working capital may adversely affect our purchasing abilities which would have a material adverse effect on our revenues.

***Leased properties and production lines may be terminated due to unexpected reasons.***

One of our major production lines with the melting capacity of 300 tons and certain properties were leased from third party. If the leasor terminates the lease or if there is other interruptions for the lease, it may adversely affect our production.

***Our strategy focuses on the development and sale of specialty glass products so our financial results will be negatively affected if we cannot timely develop these products or incorrectly gauge the potential market for them.***

We believe that the demand for specialty glass products is presently growing at a faster pace than demand for common float glass. Accordingly, our future research and development initiatives and manufacturing efforts will be focused on expanding our product offerings in the specialty glass product segments. We may not be able to develop these products in time to meet market demand and our sales revenue may not grow at expected rates in these new product lines. We also may incur expenses relating to the development of new products that are not offset by sufficient sales revenue generated by new specialty glass product lines.

***Competition in the glass manufacturing industry in China and elsewhere is intense.***

We compete with approximately 300 small-sized, local Chinese glass manufacturers. The number of these small companies varies from time to time. While we may have greater resources than our smaller competitors, it is possible that these competitors have better access in certain local markets to customers and prospects and lower production and raw material costs. Our major international competitors are NSG/Pilkington Group Limited, Saint-Gobain, Asahi and Guardian, manufacture nearly 70% of the glass produced in the world and have more resources and greater brand recognition than we enjoy. While our resources may not be as great as our larger competitors, we believe our product quality and sales and distribution network are superior in China and in the global mid- and lower quality glass

markets. If our competitors are able to gain greater market share or improve their sales efforts, our sales may decrease, we may be forced to lower our prices, or our marketing costs may increase, all of which could negatively impact our financial results.

*Any decrease in the availability, or increase in the cost, of raw materials could materially affect our earnings.*

Our glass manufacturing operations depend heavily on the availability of various raw materials and energy resources. The mix of raw materials used in the production of flat glass, which is known as the batch, is mainly composed of three components: silica sand, soda ash, dolomite/limestone, and mirabilite which represent 99% of all raw materials used in the production of glass. Silica sand is the main component constituting about 72% of the batch weight and soda ash represents about 16% of the batch weight, but is one of the most expensive raw materials used accounting for approximately 60% of the batch cost. The fuel costs in our manufacturing operations, particularly heavy oil and electricity, account for over 40% of total manufacturing costs. The availability of raw materials and energy resources may decrease and their prices may fluctuate greatly. We have long-term relationships with several suppliers; however, if our suppliers are unable or unwilling to provide us with raw materials on terms favorable to us, we may be unable to produce certain products. This could result in a decrease in profit and damage to our reputation in our industry. In the event our raw material and energy costs increase, we may not be able to pass these higher costs on to our customers in full or at all. Any increase in the prices for raw materials or energy resources could materially increase our costs and therefore lower our earnings. Additionally, certain of our supply contracts are for fixed prices. Although we currently benefit from favorable pricing in some of these supply contracts, if market prices for these raw materials decline, we may not be able to take advantage of decreasing market prices, and our profit margins may suffer.



***Our rapid expansion could significantly strain our resources, management and operational infrastructure which could impair our ability to meet increased demand for our products and hurt our business results.***

To accommodate our anticipated growth, we will need to expend capital resources and dedicate personnel to implement and upgrade our accounting, operational and internal management systems and enhance our record keeping and contract tracking system. Such measures will require us to dedicate additional financial resources and personnel to optimize our operational infrastructure and to recruit more personnel to train and manage our growing employee base. If we cannot successfully implement these measures efficiently and cost-effectively, we will be unable to satisfy the demand for our products, which will impair our revenue growth and hurt our overall financial performance.

***Our business is capital intensive and our growth strategy may require additional capital which may not be available on favorable terms or at all.***

A float glass for about 500-ton melting capacity facility is highly capital intensive, typically costing between \$ 40 million to \$ 90 million depending on size, location and product complexity. Once operational, it is designed to operate continuously, 365 days per year, throughout a 8 to 10 years initial operating life. Float lines are normally capable of several campaigns after the initial operating life following major repair and upgrade programs. We believe that our current cash, cash flow from operations and the proceeds from this offering will be sufficient to meet our present and reasonably anticipated capital and capital expenditure needs given the current state of our production lines for the marketing of the products. We may, however, require additional cash resources due to changed business conditions, implementation of our strategy to expand our specialty float glass manufacturing capacity or other investments or acquisitions we may decide to pursue. If our own financial resources are insufficient to satisfy our capital requirements, we may seek to sell additional equity or debt securities or obtain additional credit facilities. The sale of additional equity securities could result in dilution to our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would restrict our operations. Financing may not be available in amounts or on terms acceptable to us, if at all. Any failure by us to raise additional funds on terms favorable to us, or at all, could limit our ability to expand our business operations and could harm our overall business prospects.

***We depend heavily on key personnel, and turnover of key employees and senior management could harm our business.***

Our future business and results of operations depend in significant part upon the continued contributions of our key technical and senior management personnel, including Lihui Song, our Chairman and Chief Executive Officer and Qiang Hao, our Chief Financial Officer. They also depend in significant part upon our ability to attract and retain additional qualified management, technical, marketing and sales and support personnel for our operations. If we lose a key employee, if a key employee fails to perform in his or her current position, or if we are not able to attract and retain skilled employees as needed, our business could suffer. Significant turnover in our senior management could significantly deplete our institutional knowledge held by our existing senior management team. We depend on the

skills and abilities of these key employees in managing the manufacturing, technical, marketing and sales aspects of our business, any part of which could be harmed by turnover in the future.

*We face risks associated with future investments or acquisitions.*

An important element of our growth strategy is to invest in or acquire businesses that will enable us, among other things, to expand the products we offer to our existing target customer base, lower our costs for raw materials and components and capitalize on opportunities to expand into new markets. In the future, we may be unable to identify other suitable investment or acquisition candidates or may be unable to make these investments or acquisitions on commercially reasonable terms, if at all.

If we complete an investment or acquisition, we may not realize the anticipated benefits from the transaction. Integrating an acquired business is distracting and time consuming, as well as a potentially expensive process. The successful integration of these companies and any other acquired businesses require us to:

- integrate and retain key management, sales, research and development, production and other personnel;
- incorporate the acquired products or capabilities into our offerings from an engineering, sales and marketing perspective;
- coordinate research and development efforts; integrate and support pre-existing supplier, distribution and customer relationships; and
- consolidate duplicate facilities and functions and combine back office accounting, order processing and support functions.

Geographic distance between business operations, the compatibility of the technologies and operations being integrated and the disparate corporate cultures being combined also present significant challenges. Acquired businesses are likely to have different standards, controls, contracts, procedures and policies, making it more difficult to implement and harmonize company-wide financial, accounting, billing, information and other systems. Our focus on integrating operations may also distract attention from our day-to-day business and may disrupt key research and development, marketing or sales efforts. If we cannot overcome these challenges, we may not realize actual benefits from past and future acquisitions, which will impair our overall business results.

Our acquisition strategy also depends on our ability to obtain necessary government approvals, as described under **Risks Related to Doing Business in China**. We may be unable to complete a business combination transaction efficiently or on favorable terms due to complicated merger and acquisition regulations which became effective on September 8, 2006.

***Unexpected equipment failures may damage our business due to production curtailments or shutdowns.***

Our glass production lines are extremely specialized and depend on critical pieces of equipment, such as melting furnaces, float baths, cooling lehrs and cross cutters. We conduct periodic inspection and maintenance of all of our equipment to minimize the impact of interruption of production and prevent breakdown because this machinery is highly specialized and cannot be repaired or replaced without significant expense and time delay. On occasion, our equipment may be out of service as a result of unanticipated failures which may result in material plant shutdowns or periods of reduced production. Interruptions in production capabilities will inevitably increase production costs and reduce our sales and earnings. In addition to equipment failures, our facilities are also subject to the risk of

catastrophic loss due to unanticipated events such as fires, explosions or adverse weather conditions. Furthermore, any interruption in production capability may require us to make large capital expenditures to remedy the situation, which could have a negative effect on our profitability and cash flows. Although we have business interruption insurance, we cannot provide any assurance that the insurance will cover all losses that we experience as a result of the equipment failures. In addition, longer-term business disruption could result in a loss of customers. If this were to occur, our future sales levels, and therefore our profitability, could be adversely affected.

***Exporting our glass products outside of China is a core component of our overall growth strategy, which could subject us to various economic, political, regulatory, legal and foreign exchange risks.***

We currently sell most of our glass in China, but have also exported our float glass products to Asia, Europe, South America and South Africa . Our overseas sales accounted for 16.88% of our total sales in 2006 and expect a similar percentage in 2007. We plan to selectively enter international markets in which an opportunity to sell our products has been identified. The marketing, distribution and sale of our products overseas expose us to a number of risks, including:

- fluctuations in currency exchange rates;
- difficulty in designing products that are compatible with product standards in foreign countries;
- greater difficulty in accounts receivable collection; increased marketing and sales costs;
- difficulty and costs of compliance with foreign regulatory requirements and different commercial and legal requirements; an inability to obtain, maintain or enforce intellectual property rights in foreign countries;
- changes to import and export regulations, including quotas, tariffs and other trade barriers;
- delays or difficulties in obtaining export and import licenses;



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repatriation controls on foreign earnings and currency conversion restrictions; and

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difficulty in engaging and retaining distributors and agents who are knowledgeable about, and can function effectively in, overseas markets.

If we cannot effectively manage these risks, our ability to conduct or expand our business abroad would be impaired, which may in turn hamper our business, financial condition and prospects.

***Our failure to adequately protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights may be costly.***

We strive to strengthen and differentiate our product portfolio by developing new and efficient manufacturing processes and innovative products and product improvements. For instance, we developed a proprietary synthetic fuel oil called 520 Fuel Serum, which can be used as a substitute for 65 tons of heavy fuel oil per day, thereby creating for us significant costs savings. We maintain two utility model patents and four invention patent applications pending registration with Chinese Patent Office and one registered trademark and one trademark application pending registration with Chinese Trademark Office as intellectual property assets and we believe that the protection of our intellectual property will become increasingly important to our business. Implementation and enforcement of intellectual property-related laws in China has historically been lacking due primarily to ambiguities in PRC intellectual property law. Accordingly, protection of intellectual property and proprietary rights in China may not be as effective as in the United States or other countries. We will continue to rely on a combination of patents, trade secrets, trademarks and copyrights to provide protection in this regard, but this protection may be inadequate. For example, our pending or future patent applications may not be approved or, if allowed, they may not be of sufficient strength or scope. As a result, third parties may use the technologies and proprietary processes that we have developed and compete with us, which could negatively affect any competitive advantage we enjoy, dilute our brand and harm our operating results.

In addition, policing the unauthorized use of our proprietary technology can be difficult and expensive. Litigation may be necessary to enforce our intellectual property rights and given the relative unpredictability of China's legal system and potential difficulties enforcing a court judgment in China, there is no guarantee litigation would result in an outcome favorable to us. Furthermore, any such litigation may be costly and may divert management attention away from our core business. An adverse determination in any lawsuit involving our intellectual property is likely to jeopardize our business prospects and reputation. We have no insurance coverage against litigation costs so we would be forced to bear all litigation costs if we cannot recover them from other parties. All of the foregoing factors could harm our business and financial condition.

***Any disruption in the supply chain of raw materials and our products could adversely impact our ability to produce and deliver products.***

As a manufacturing company, we face serious challenges in supply chain management for raw materials and delivery of our products. Supply chain fragmentation and local protectionism within China further complicates supply chain disruption risks. Local administrative bodies and physical infrastructure built to protect local interests pose transportation challenges for raw material transportation as well as product delivery. In addition, profitability and volume could be negatively impacted by limitations inherent within the supply chain, including competitive, governmental, legal, natural disasters, and other events that could impact both supply and price. Any of these occurrences could cause significant disruptions to our supply chain, manufacturing capability and distribution system that could adversely impact our ability to produce and deliver products.

***If our customers and/or the ultimate consumers of products that use our glass or glass products successfully assert product liability claims against us due to defects in our products, our operating results may suffer and our reputation may be harmed.***

Our glass and glass products are widely applied in the manufacturing of many products, including automobiles, construction materials, furniture and display cases, electrical household appliances, lighting fixtures and decorative glass artwork. Significant property damage, personal injuries and even death can result from malfunctioning products. If our glass is not properly manufactured or installed and/or if people are injured as a result of our products, we could be subject to claims for damages based on theories of product liability and other legal theories in some jurisdictions in which our products are sold. The costs and resources to defend such claims could be substantial and, if such claims are successful, we could be responsible for paying some or all of the damages. We do not have product liability insurance. The publicity surrounding these sorts of claims is also likely to damage our reputation, regardless of whether such claims are successful. Any of these consequences resulting from defects in our products would hurt our operating results and stockholder value.

***Our products may become subject to recall in the event of defects or other performance related issues.***

Since we furnish our glass and glass products to participants in the automotive industry, we are at risk for product recall costs which are costs incurred when, either voluntarily or involuntarily, a product is recalled through a formal campaign to solicit the return of specific products due to a known or suspected performance defect. Costs typically include the cost of the product, part or component being replaced, the cost of the recall borne by our customers and labor to remove and replace the defective part or component. Our glass and glass products have not been the subject of an open recall. If a recall decision is made, we will need to estimate the cost of the recall and record a charge to earnings in that period. In making this estimate, judgment is required as to the quantity or volume to be recalled, the total cost of the recall campaign, the ultimate negotiated sharing of the cost between us and our distributor or customer. As a result, these estimates are subject to change. Excessive recall costs or our failure to adequately estimate these costs may negatively affect our operating results.

***Certain of our existing stockholders have substantial influence over our company, and their interests may not be aligned with the interests of our other stockholders.***

Ms. Lin Tan is the indirect, beneficial owner of approximately 62% of our common stock. As a result, she has significant influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may also have the effect of discouraging, delaying or preventing a future change of control, which could deprive our stockholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our shares.

***Environmental claims or failure to comply with any present or future environmental regulations may require us to spend additional funds and may harm our results of operations.***

In recent years, the glass industry has become more heavily regulated, particularly from an environmental perspective due to the use of heavy oil in the production process. In addition, our business is subject to health and safety laws and regulations that affect our operations, facilities and products in each of the jurisdictions in which we operate. We believe that we are in compliance with all material environmental, health and safety laws and regulations related to our products, operations and business activities. Although we have not suffered material environmental claims in the past, the failure to comply with any present or future regulations could result in the assessment of damages or imposition of fines against us, suspension of production, cessation of our operations or even criminal sanctions. New regulations could also require us to acquire costly equipment or to incur other significant expenses. Our failure to control the use of, or adequately restrict the discharge of, hazardous substances could subject us to potentially significant monetary damages and fines or suspension of our business operations, which could cause damage to our business. We have applied to the PRC authorities for an environmental approval certificate. If we fail to obtain that certificate in a timely manner or at all, our business will be harmed.



***We have limited insurance coverage and do not carry any business interruption insurance, third-party liability insurance for our manufacturing facilities or insurance that covers the risk of loss of our products in shipment.***

Operation of our glass manufacturing facilities involves many risks, including equipment failures, natural disasters, industrial accidents, power outages, labor disturbances and other business interruptions. Furthermore, if any of our products are faulty, then we may become subject to product liability claims or we may have to engage in a product recall. We do not carry any business interruption insurance, product recall or third-party liability insurance for our manufacturing facilities or with respect to our products to cover claims pertaining to personal injury or property or environmental damage arising from defaults with our products, product recalls, accidents on our property or damage relating to our operations. Therefore, our existing insurance coverage may not be sufficient to cover all risks associated with our business. As a result, we may be required to pay for financial and other losses, damages and liabilities, including those caused by natural disasters and other events beyond our control, out of our own funds, which could have a material adverse effect on our business, financial condition and results of operations.

***The discontinuation of the preferential tax treatment currently available to our PRC subsidiaries could materially adversely affect our results of operations.***

Foreign invested enterprises, or FIEs, established in the PRC are generally subject to an enterprise income tax, or EIT, rate of 33.0%, which includes a 30.0% state income tax and a 3.0% local income tax, such as our PRC subsidiary Fuxin Hengrui, is subject to an EIT rate of 33.0%.

Under the income tax law and the related implementing rules, FIEs engaging in manufacturing businesses with a term of operation exceeding ten years may, subject to approval from local taxation authorities, be entitled to a two-year tax exemption from PRC EIT starting from the year they become profitable and a 50.0% tax reduction for the three years thereafter.

As approved by the relevant PRC tax authority, Fuxin Hengrui was entitled to a two-year exemption from EIT followed by a 50.0% tax exemption for the next three years, commencing from the first cumulative profit-making year in the fiscal financial year. The tax holiday of Fuxin Hengrui commenced in 2004. Accordingly, Fuxin Hengrui was exempted from EIT for 2004 and 2005 and thereafter entitled to a 50% reduction on EIT tax rate of 16.5% for 2006, 2007 and 2008. The year of 2008 is the last year that we enjoy a 50.0% tax reduction. From 2009, we are subject to PRC EIT at a rate of 27.0% of assessable profits, consisting of a 24.0% national tax and a 3.0% local tax.

In addition, Fuxin Hengrui, being an FIE, was entitled to a special tax concession that allows an amount equal to 40.0% of the qualifying domestic capital expenditures (as defined and approved under the relevant PRC income tax rule) to be used as an offset against the excess of the current year's EIT over the prior year's EIT. Fuxin Hengrui also was entitled to another special tax concession allowing an amount equivalent to 50.0% of the current year's domestic development expenses to be used as an offset against EIT. These tax concessions, if unutilized, can be carried forward for five years.

If this preferential tax treatment is discontinued by the tax authorities or is eliminated due to future changes in PRC tax laws, rules or regulations, our PRC operating subsidiaries may cease to enjoy the aforementioned tax benefits. If that were to occur, our PRC operating subsidiaries would be subject to an EIT rate up to a 25.0% rate from January 1, 2008 under the new tax law described below, which would significantly increase our effective tax rate and materially adversely affect our operating results.

On March 16, 2007, the National People's Congress of China passed the new EIT Law, which took effect on January 1, 2008. Under the new EIT Law, an enterprise established outside of China with de facto management bodies within China is considered a resident enterprise and will normally be subject to EIT at the rate of 25.0% on its global income. The new EIT Law, however, does not define the term de facto management bodies. If the PRC tax authorities subsequently determine that we should be classified as a resident enterprise, then our global income will be subject to

PRC income tax at a tax rate of 25.0%. In addition, under the new EIT Law, dividends from our PRC subsidiaries to us is subject to a withholding tax. The rate of the withholding tax has not yet been finalized, pending promulgation of implementing regulations. Furthermore, the ultimate tax rate is determined by treaty between China and the tax residence of the holder of the PRC subsidiaries. We are actively monitoring the proposed withholding tax and are evaluating appropriate organizational changes to minimize the corresponding tax impact. The new EIT Law imposes a unified income tax rate of 25.0% on all domestic-invested enterprises and FIEs, such as our PRC operating subsidiaries, unless they qualify under certain limited exceptions, but the EIT Law permits companies to continue to enjoy their existing preferential tax treatments until such treatments expire in accordance with their current terms. We expect details of the transitional arrangement for the five-year period from January 1, 2008 to December 31, 2012 applicable to enterprises approved for establishment prior to March 16, 2007 to be set out in more detailed implementing rules to be adopted in the future. Any increase in our effective tax rate as a result of the above may adversely affect our operating results. However, details regarding implementation of this new law are expected to be provided in the form of one or more implementing regulations to be promulgated by the PRC government, and the timing of the issuance of such implementing regulations is currently unclear.

***We do not have any independent directors and there is no assurance that any independent directors will be appointed or what their qualifications may be if they are appointed.***

Mr. Lihui Song, our Chief Executive Officer, and Mr. Timothy P. Halter who submitted his resignation on the closing of the share exchange transaction, to be effective 10 days after the mailing to our stockholders of a information statement that complies with the requirements of 14f-1 of the Exchange Act. are our directors and we currently do not have any independent directors. In the future, we may appoint a number of independent directors which will constitute a majority of our board of directors before our common stock is listed on a national securities exchange or NASDAQ, but we may not be able to identify independent directors qualified to be on our board.

*We may be exposed to potential risks relating to our internal controls over financial reporting and our ability to have those controls attested to by our independent auditors.*

As directed by Section 404 of the Sarbanes-Oxley Act of 2002 or SOX 404, the SEC adopted rules requiring public companies to include a report of management on the company's internal controls over financial reporting in their annual reports, including Form 10-K. In addition, the independent registered public accounting firm auditing a company's financial statements must also attest to and report on the operating effectiveness of the company's internal controls. We were not subject to these requirements for the fiscal year ended December 31, 2006; accordingly, we have not evaluated our internal control systems in order to allow our management to report on, and our independent auditors to attest to, our internal controls as required by these requirements of SOX 404. Under current law, we will be subject to these requirements beginning with our annual report for the fiscal year ending December 31, 2007. We can provide no assurance that we will comply with all of the requirements imposed thereby. There can be no assurance that we will receive a positive attestation from our independent auditors. In the event we identify significant deficiencies or material weaknesses in our internal controls that we cannot remediate in a timely manner or we are unable to receive a positive attestation from our independent auditors with respect to our internal controls, investors and others may lose confidence in the reliability of our financial statements.

*Our holding company structure may limit the payment of dividends.*

We have no direct business operations, other than our ownership of our subsidiaries. While we have no current intention of paying dividends, should we decide in the future to do so, as a holding company, our ability to pay dividends and meet other obligations depends upon the receipt of dividends or other payments from our operating subsidiaries and other holdings and investments. In addition, our operating subsidiaries, from time to time, may be subject to restrictions on their ability to make distributions to us, including as a result of restrictive covenants in loan agreements, restrictions on the conversion of local currency into U.S. dollars or other hard currency and other regulatory restrictions as discussed below. If future dividends are paid in RMB, fluctuations in the exchange rate for the conversion of RMB into U.S. dollars may reduce the amount received by U.S. stockholders upon conversion of the dividend payment into U.S. dollars.

Chinese regulations currently permit the payment of dividends only out of accumulated profits as determined in accordance with Chinese accounting standards and regulations. Our subsidiaries in China are also required to set aside a portion of their after tax profits according to Chinese accounting standards and regulations to fund certain reserve funds. Currently, our subsidiaries in China are the only sources of revenues or investment holdings for the payment of dividends. If they do not accumulate sufficient profits under Chinese accounting standards and regulations to first fund certain reserve funds as required by Chinese accounting standards, we will be unable to pay any dividends.

## **RISKS RELATED TO DOING BUSINESS IN CHINA**

*We may be exposed to liabilities under the Foreign Corrupt Practices Act, and any determination that we violated the Foreign Corrupt Practices Act could hurt our business.*

We are subject to the Foreign Corrupt Practice Act, or FCPA, and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. persons and issuers as defined by the statute for the purpose of obtaining or retaining business. We have operations, agreements with third parties and make sales in China, which may experience corruption. Our activities in China create the risk of unauthorized payments or offers of payments by one of the employees, consultants, sales agents or distributors of our Company, even though these parties are not always subject to our control. It is our policy to implement safeguards to discourage these practices by our employees. However, our existing safeguards and any future improvements may prove to be less than effective, and the employees, consultants, sales agents or distributors of our Company may engage in conduct for which we might be held responsible. Violations of the FCPA may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the government may seek to hold our Company liable for successor liability FCPA violations committed by companies in which we invest or that we acquire.

*Changes in China's political or economic situation could harm us and our operating results.*

Economic reforms adopted by the Chinese government have had a positive effect on the economic development of the country, but the government could change these economic reforms or any of the legal systems at any time. This could either benefit or damage our operations and profitability. Some of the things that could have this effect are:

- Level of government involvement in the economy;

- Control of foreign exchange;

- Methods of allocating resources;

- Balance of payments position;

- International trade restrictions; and

- International conflict.

The Chinese economy differs from the economies of most countries belonging to the Organization for Economic Cooperation and Development, or OECD, in many ways. For example, state-owned enterprises still constitute a large portion of the Chinese economy and weak corporate governance and a lack of flexible currency exchange policy still prevail in China. As a result of these differences, we may not develop in the same way or at the same rate as might be expected if the Chinese economy was similar to those of the OECD member countries.

*Our business is largely subject to the uncertain legal environment in China and your legal protection could be limited.*

The Chinese legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which precedents set in earlier legal cases are not generally used. The overall effect of legislation enacted over the

past 20 years has been to enhance the legal protections afforded to foreign invested enterprises in China. However, these laws, regulations and legal requirements are relatively recent and are evolving rapidly, and their interpretation and enforcement involve uncertainties. These uncertainties could limit the legal protections available to foreign investors, such as the right of foreign invested enterprises to hold licenses and permits such as requisite business licenses. In addition, all of our executive officers and our directors are residents of China and not of the U.S., and substantially all the assets of these persons are located outside the U.S. As a result, it could be difficult for investors to effect service of process in the U.S., or to enforce a judgment obtained in the U.S. against our Chinese operations and subsidiaries.

***The Chinese government exerts substantial influence over the manner in which we must conduct our business activities.***

China only recently has permitted provincial and local economic autonomy and private economic activities. The Chinese government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, import and export tariffs, environmental regulations, land use rights, property and other matters. We believe that our operations in China are in material compliance with all applicable legal and regulatory requirements. However, the central or local governments of the jurisdictions in which we operate may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations.

Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in China or particular regions thereof, and could require us to divest ourselves of any interest we then hold in Chinese properties or joint ventures.

***Future inflation in China may inhibit our ability to conduct business in China.***

In recent years, the Chinese economy has experienced periods of rapid expansion and highly fluctuating rates of inflation. During the past ten years, the rate of inflation in China has been as high as 20.7% and as low as -2.2%. These factors have led to the adoption by the Chinese government, from time to time, of various corrective measures designed to restrict the availability of credit or regulate growth and contain inflation. High inflation may in the future cause the Chinese government to impose controls on credit and/or prices, or to take other action, which could inhibit economic activity in China, and thereby harm the market for our products and our company.

***Restrictions on currency exchange may limit our ability to receive and use our revenues effectively.***

The majority of our revenues will be settled in Renminbi and U.S. dollars, and any future restrictions on currency exchanges may limit our ability to use revenue generated in Renminbi to fund any future business activities outside China or to make dividend or other payments in U.S. dollars. Although the Chinese government introduced regulations in 1996 to allow greater convertibility of the Renminbi for current account transactions, significant restrictions still remain, including primarily the restriction that foreign-invested enterprises may only buy, sell or remit foreign currencies after providing valid commercial documents, at those banks in China authorized to conduct foreign exchange business. In addition, conversion of Renminbi for capital account items, including direct investment and loans, is subject to governmental approval in China, and companies are required to open and maintain separate foreign exchange accounts for capital account items. We cannot be certain that the Chinese regulatory authorities will not impose more stringent restrictions on the convertibility of the Renminbi.

***Failure to comply with PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident stockholders to personal liability, limit our ability to acquire PRC companies or to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us or otherwise materially adversely affect us.***

In October 2005, the PRC State Administration of Foreign Exchange, or SAFE, issued the Notice on Relevant Issues in the Foreign Exchange Control over Financing and Return Investment Through Special Purpose Companies by Residents Inside China, generally referred to as Circular 75, which required PRC residents to register with the competent local SAFE branch before establishing or acquiring control over an offshore special purpose company, or SPV, for the purpose of engaging in an equity financing outside of China on the strength of domestic PRC assets originally held by those residents. Internal implementing guidelines issued by SAFE, which became public in June 2007 (known as Notice 106), expanded the reach of Circular 75 by (i) purporting to cover the establishment or acquisition of control by PRC residents of offshore entities which merely acquire control over domestic companies or assets, even in the absence of legal ownership; (ii) adding requirements relating to the source of the PRC resident's funds used to establish or acquire the offshore entity; (iii) covering the use of existing offshore entities for offshore financings; (iv) purporting to cover situations in which an offshore SPV establishes a new subsidiary in China or acquires an unrelated company or unrelated assets in China; and (v) making the domestic affiliate of the SPV



responsible for the accuracy of certain documents which must be filed in connection with any such registration, notably, the business plan which describes the overseas financing and the use of proceeds. Amendments to registrations made under Circular 75 are required in connection with any increase or decrease of capital, transfer of shares, mergers and acquisitions, equity investment or creation of any security interest in any assets located in China to guarantee offshore obligations, and Notice 106 makes the offshore SPV jointly responsible for these filings. In the case of an SPV which was established, and which acquired a related domestic company or assets, before the implementation date of Circular 75, a retroactive SAFE registration was required to have been completed before March 31, 2006; this date was subsequently extended indefinitely by Notice 106, which also required that the Registrant establish that all foreign exchange transactions undertaken by the SPV and its affiliates were in compliance with applicable laws and regulations. Failure to comply with the requirements of Circular 75, as applied by SAFE in accordance with Notice 106, may result in fines and other penalties under PRC laws for evasion of applicable foreign exchange restrictions. Any such failure could also result in the SPV's affiliates being impeded or prevented from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the SPV, or from engaging in other transfers of funds into or out of China.

We believe our stockholders who are PRC residents as defined in Circular 75 have registered with the relevant branch of SAFE, as currently required, in connection with their equity interests in us and our acquisitions of equity interests in our PRC subsidiaries. However, we cannot provide any assurances that their existing registrations have fully complied with, and they have made all necessary amendments to their registration to fully comply with, all applicable registrations or approvals required by Circular 75. Moreover, because of uncertainty over how Circular 75 will be interpreted and implemented, and how or whether SAFE will apply it to us, we cannot predict how it will affect our business operations or future strategies. For example, our present and prospective PRC subsidiaries' ability to conduct foreign exchange activities, such as the remittance of dividends and foreign currency-denominated borrowings, may be subject to compliance with Circular 75 by our PRC resident beneficial holders. In addition, such PRC residents may not always be able to complete the necessary registration procedures required by Circular 75. We also have little control over either our present or prospective direct or indirect stockholders or the outcome of such registration procedures. A failure by our PRC resident beneficial holders or future PRC resident stockholders to comply with Circular 75, if SAFE requires it, could subject these PRC resident beneficial holders to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

The value of our securities will be affected by the currency exchange rate between U.S. dollars and RMB.

The value of our common stock will be affected by the foreign exchange rate between U.S. dollars and RMB, and between those currencies and other currencies in which our sales may be denominated. For example, if we need to convert U.S. dollars into RMB for our operational needs and the RMB appreciates against the U.S. dollar at that time, our financial position, our business, and the price of our common stock may be harmed. Conversely, if we decide to convert our RMB into U.S. dollars for the purpose of declaring dividends on our common stock or for other business purposes and the U.S. dollar appreciates against the RMB, the U.S. dollar equivalent of our earnings from our subsidiaries in China would be reduced.

***If the China Securities Regulatory Commission, or CSRC, or another PRC regulatory agency, determines that CSRC approval is required in connection with this offering, this offering may be delayed or cancelled, or we may become subject to penalties.***

On August 8, 2006, six PRC regulatory agencies, including the CSRC, promulgated the Regulation on Mergers and Acquisitions of Domestic Companies by Foreign Investors, which became effective on September 8, 2006. This new regulation, among other things, has certain provisions that require SPVs formed for the purpose of acquiring PRC domestic companies and controlled by PRC individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock market. However, the new regulation does not expressly provide that approval from the CSRC is required for the offshore listing of a SPV which acquires, directly or indirectly, equity interest or shares of domestic PRC entities held by domestic companies or individuals by cash payment, nor does it expressly provide that approval from CSRC is not required for the offshore listing of a SPV which has fully completed its acquisition of equity interest of domestic PRC equity prior to September 8, 2006. On September 21, 2006, the CSRC published on its official website a notice specifying the documents and materials that are required to be submitted for obtaining CSRC approval. It is not clear whether the provisions in the new regulation regarding the offshore listing and trading of the securities of a SPV applies to an offshore company such as us which has acquired the equity interest of PRC domestic entities in cash and has completed the acquisition of the equity interest of PRC domestic entities

prior to the effective date of the new regulation. Since the new regulation has only recently been adopted, there remains some uncertainty as to how this regulation will be interpreted or implemented. If the CSRC or another PRC regulatory agency subsequently determines that the CSRC's approval is required for this offering, we may face sanctions by the CSRC or another PRC regulatory agency. If this happens, these regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the proceeds from this offering into the PRC, restrict or prohibit payment or remittance of dividends to us or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our shares. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable for us, to delay or cancel this offering before settlement and delivery of the shares being offered by us.

## **RISKS RELATED TO THE MARKET FOR OUR STOCK**

*Our common stock is quoted on the OTC Bulletin Board which may have an unfavorable impact on our stock price and liquidity.*

Our common stock is quoted on the OTC Bulletin Board. The OTC Bulletin Board is a significantly more limited market than the New York Stock Exchange or NASDAQ system. The quotation of our shares on the OTC Bulletin Board may result in a less liquid market available for existing and potential stockholders to trade shares of our common stock, could depress the trading price of our common stock and could have a long-term adverse impact on our ability to raise capital in the future.

***We are subject to penny stock regulations and restrictions.***

The SEC has adopted regulations which generally define so-called penny stocks to be an equity security that has a market price less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exemptions.

If our common stock becomes a penny stock, we may become subject to Rule 15g-9 under the Exchange Act, or the Penny Stock Rule. This rule imposes additional sales practice requirements on broker-dealers that sell such securities to persons other than established customers and accredited investors (generally, individuals with a net worth in excess of \$1,000,000 or annual incomes exceeding \$200,000, or \$300,000 together with their spouses). For transactions covered by Rule 15g-9, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to sale. As a result, this rule may affect the ability of broker-dealers to sell our securities and may affect the ability of purchasers to sell any of our securities in the secondary market.

For any transaction involving a penny stock, unless exempt, the rules require delivery, prior to any transaction in a penny stock, of a disclosure schedule prepared by the SEC relating to the penny stock market. Disclosure is also required to be made about sales commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stock.

There can be no assurance that our common stock will qualify for exemption from the Penny Stock Rule. In any event, even if our common stock were exempt from the Penny Stock Rule, we would remain subject to Section 15(b)(6) of the Exchange Act, which gives the SEC the authority to restrict any person from participating in a distribution of penny stock, if the SEC finds that such a restriction would be in the public interest.

***Certain provisions of our Articles of Incorporation may make it more difficult for a third party to effect a change-in-control.***

Our Articles of Incorporation authorize the Board of Directors to issue up to 10,000,000 shares of preferred stock. The preferred stock may be issued in one or more series, the terms of which may be determined at the time of issuance by the board of directors without further action by the stockholders. These terms may include voting rights including the right to vote as a series on particular matters, preferences as to dividends and liquidation, conversion rights and redemption rights provisions. The issuance of any preferred stock could diminish the rights of holders of our common stock, and therefore could reduce the value of such common stock. In addition, specific rights granted to future holders of preferred stock could be used to restrict our ability to merge with, or sell assets to, a third party. The ability of the board of directors to issue preferred stock could make it more difficult, delay, discourage, prevent or make it more costly to acquire or effect a change-in-control, which in turn could prevent the stockholders from recognizing a gain in the event that a favorable offer is extended and could materially and negatively affect the market price of our common stock.



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Overview**

Nevstar Corporation is a Nevada holding company whose China-based indirect operating subsidiary Fuxin Hengrui manufactures and sells glass. Since 2002, we have been manufacturing and selling. Our product offerings include float glass, ultra-clear glass (also called crystal glass), colored float glass and high grade, glass processed products in China, Asia, Europe, South America and South Africa. Our glass products are mostly used in a variety of end products, such as automobiles, commercial and residential buildings, construction materials, furniture and display cases, lighting fixtures and decorative glass artwork, bath fixtures electrical household appliances, such as refrigerators and microwave ovens. Our glass and glass products are manufactured in a broad range of specifications and marketed primarily under the "Golden Elephant" brand name.

We sell our products directly, and indirectly through a broad distributor network, to automakers and auto parts suppliers, building contractors and building material suppliers and manufacturers of retail goods and we are increasingly exporting our products to the international market. Our primary focus has been to increase sales of our float glass, ultra-clear glass, colored float glass and high grade, glass processed products.

As of September 30, 2007, we had 815 employees working at our two manufacturing facility, one of which is a high grade float glass production line and the second of which is a colored float glass production line. Daily melting capacity of these manufacturing lines is approximately 800 tons.

Because our recent operations have been limited to the operations of Dollar Come and its subsidiaries, the discussion below of our performance is based upon the unaudited financial statements of Dollar Come as of and for the nine-month periods ended September 30, 2007 and 2006 and the audited financial statements of Dollar Come for the years ended December 31, 2006 and 2005 and the audited financial statements of our subsidiary, Fuxin Hengrui, for the year ended December 31, 2004, which are included in this report.

**Principal Factors Affecting Our Financial Performance**

We believe that the following factors will continue to affect our financial performance:

***Recovery of the glass industry in China.*** Over the past 20 years, global glass demand in most modern countries has grown more quickly than GDP. Since 2005, demand for glass in China has been outpaced by supply, resulting in a slowdown in growth in the industry. The slowdown largely resulted from government regulations constraining growth, environmental problems and costly raw materials and high fuel expenses. We believe that there is a currently a resurgence in demand in the glass industry, primarily due to increased automobile production and construction activity in China, which will offset any negative macro-economic conditions in the industry thereby creating a favorable environment for the manufacture and sale of our glass products.

***Increasing demand for specialty glass products.*** Another important trend that positively affects our financial condition is the increasing demand by architects and participants in the automotive industry for high-end, value-added glass products using ultra-clear glass and ultra-thin glass. We believe that we can capitalize on this trend as we have the current capacity to manufacture specialty glass.

***Fluctuations in raw material and production costs.*** Our operations require substantial amounts of a variety of raw materials and components, particularly silica sand, soda ash and dolomite/limestone, which can be costly and are susceptible to fluctuations in price and availability. Fuel and energy costs, which account for over 40% of total production costs, have likewise shown price and supply volatility in recent years. Any significant increases in the prices of our raw materials and/or fuel and energy requirements can have a direct and negative impact on our gross margin. We attempt to offset disadvantageous price fluctuations in raw materials by sourcing large quantities to achieve economies of scale, entering into long term supply agreements and by attempting to develop alternative raw material and energy substitutes, such as our proprietary 520 Fuel Serum. Ultimately, we may need to raise the price of our products in order to recover higher raw material and fuel energy costs so that we can maintain our profit margin.

***Increase in exports.*** We plan to expand sales of our products to foreign markets. In 2006, we exported our glass and glass products to South Africa, France, Spain, Eastern Europe and Korea. Our sales to foreign customers reached \$5.11 million, or approximately 16.88% of our total sales and we believe this is a growth area for future operations.

## **Taxation**

### ***United States***

Nevstar Corporation is subject to United States tax at a tax rate of 34%. No provision for income taxes in the United States has been made as Nevstar had no taxable income for 2006.

### ***British Virgin Islands***

Dollar Come Investments, Limited was incorporated in the British Virgin Islands, or BVI, and, under the current laws of the BVI, are not subject to income taxes.

### ***PRC***

Foreign invested enterprises, or FIEs, established in the PRC are generally subject to an enterprise income tax, or EIT, rate of 33.0%, which includes a 30.0% state income tax and a 3.0% local income tax, such as our PRC subsidiary Fuxin Hengrui, is subject to an EIT rate of 33.0%.

Under the income tax law and the related implementing rules, FIEs engaging in manufacturing businesses with a term of operation exceeding ten years may, subject to approval from local taxation authorities, be entitled to a two-year tax exemption from PRC EIT starting from the year they become profitable and a 50.0% tax reduction for the three years thereafter.

As approved by the relevant PRC tax authority, Fuxin Hengrui was entitled to a two-year exemption from EIT followed by a 50.0% tax exemption for the next three years, commencing from the first cumulative profit-making year in the fiscal financial year. The tax holiday of Fuxin Hengrui commenced in 2004. Accordingly, Fuxin Hengrui was exempted from EIT for 2004 and 2005 and thereafter entitled to a 50% reduction on EIT tax rate of 16.5% for 2006,



2007 and 2008. The year of 2008 is the last year that we enjoy a 50.0% tax reduction. From 2009, we are subject to PRC EIT at a rate of 27.0% of assessable profits, consisting of a 24.0% national tax and a 3.0% local tax.

In addition, Fuxin Hengrui, being an FIE, was entitled to a special tax concession that allows an amount equal to 40.0% of the qualifying domestic capital expenditures (as defined and approved under the relevant PRC income tax rule) to be used as an offset against the excess of the current year's EIT over the prior year's EIT. Fuxin Hengrui was entitled to another special tax concession allowing an amount equivalent to 50.0% of the current year's domestic development expenses to be used as an offset against EIT. These tax concessions, if unutilized, can be carried forward for five years.

On March 16, 2007, the National People's Congress of China passed the new EIT Law, which will take effect as of January 1, 2008. Under the new EIT Law, an enterprise established outside of China with de facto management bodies within China is considered a resident enterprise and will normally be subject to EIT at the rate of 25.0% on its global income. The new EIT Law, however, does not define the term de facto management bodies. If the PRC tax authorities subsequently determine that we should be classified as a resident enterprise, then our global income will be subject to PRC income tax at a tax rate of 25.0%. In addition, under the new EIT Law, dividends from our PRC subsidiaries to us will be subject to a withholding tax. The rate of the withholding tax has not yet been finalized, pending promulgation of implementing regulations. Furthermore, the ultimate tax rate will be determined by treaty between China and the tax residence of the holder of the PRC subsidiaries. We are actively monitoring the proposed withholding tax and are evaluating appropriate organizational changes to minimize the corresponding tax impact. The new EIT Law imposes a unified income tax rate of 25.0% on all domestic-invested enterprises and FIEs, such as our PRC operating subsidiaries, unless they qualify under certain limited exceptions, but the EIT Law permits companies to continue to enjoy their existing preferential tax treatments until such treatments expire in accordance with their current terms. We expect details of the transitional arrangement for the five-year period from January 1, 2008 to December 31, 2012 applicable to enterprises approved for establishment prior to March 16, 2007 to be set out in more detailed implementing rules to be adopted in the future. Any increase in our effective tax rate as a result of the above may adversely affect our operating results. However, details regarding implementation of this new law are expected to be provided in the form of one or more implementing regulations to be promulgated by the PRC government, and the timing of the issuance of such implementing regulations is currently unclear.

## Results of Operations

The following tables set forth key components of our results of operations for the periods indicated, in dollars and as a percentage of revenue.

	Year Ended December 31,			Nine Months Ended September 30,	
	2004	2005	2006	2006	2007
(dollars in thousands)					
Sales revenue	\$ 25,427	\$ 24,577	\$ 30,245	\$ 20,961	\$ 39,547
Cost of sales	19,765	23,013	31,727	22,626	30,336
Gross profit	5,662	1,564	(1,482)	(1,665)	9,211
Expenses					
Administrative expenses	1,203	1,333	1,672	1,095	1,947
Selling expenses	831	480	742	504	650
Total expenses	2,034	1,813	2,414	1,599	2,597
Government grants	2,503	744	471	-	-
Income before income taxes	5,793	247	(4,101)	(3,637)	5,971
Income taxes	42	266	12	136	(1,059)
Minority interests	-	(56)	444	394	-
Net income	5,835	457	(3,645)	(3,107)	4,912
<b>As a Percentage of Sales Revenue</b>					
Sales revenue	100 %	100%	100%	100 %	100%
Cost of sales	77.7 %	93.6%	104.9%	107.9 %	76.7%
Gross profit	22.3 %	6.4%	(4.9)%	(7.9) %	23.3%
Expenses					
Administrative expenses	4.7 %	5.4%	5.5%	5.2 %	4.9%
Selling expenses	3.3 %	2.0%	2.5%	2.4 %	1.6%
Total expenses	8.0 %	7.4%	8.0%	7.6 %	6.5%
Government grants	9.8 %	3.0%	1.6%	- %	-%
Income before income taxes	22.8 %	1.0%	(13.6)%	(17.3) %	15.1%
Income taxes	0.1 %	1.1%	0.1%	0.6 %	(2.7)%
Minority interests	- %	(0.2)%	1.5%	1.9 %	-%
Net income	22.9 %	1.8%	(12.1)%	(14.8) %	12.4%

### Comparison of Nine Months Ended September 30, 2007 and September 30, 2006

**Sales Revenue.** Our sales revenue is generated from sales of our float glass products and increasingly from our specialty float glass products. Sales revenue increased \$18.6 million, or 88.7%, to \$39.5 million for the nine months ended September 30, 2007 from \$20.9 million for the same period in 2006. This increase was mainly attributable to the growing market recognition of our brand Golden Elephant, stabilized sales prices for flat sheet glass, and sales of more specialized products such as high value-added ultra-white glass.

**Cost of Sales.** Our cost of sales is primarily comprised of the costs of our raw materials, components, labor and overhead. Our cost of sales increased \$7.7 million, or 34.1%, to \$30.3 million for the nine months ended September 30, 2007 from \$22.6 million during the same period in 2006. This increase was mainly due to increased sales volume and higher costs for ultra-white glass than those of ordinary glass. As a percentage of sales revenue, the cost of goods sold decreased to 76.7% during the nine months ended September 30, 2007 from 107.9% in the same period of 2006. The decrease was attributable to stabilized sales price for ordinary sheet glass and the decline of cost-driving effects of high value-added ultra-white glass.

**Gross Profit.** Our gross profit is equal to the difference between our sales revenue and our cost of sales. Our gross profit increased \$10.9 million, or 653.2%, to \$9.2 million for the nine months ended September 30, 2007 from \$-1.7 million for the same period in 2006. Gross profit as a percentage of sales revenue was 23.3% for the nine months ended September 30, 2007, as compared to -7.9% during the same period in 2006. Such percentage increase was mainly due to stabilized sales price for ordinary sheet glass and the decline of cost-driving effects of high value-added ultra-white glass.

**Administrative Expenses.** Our administrative expenses consist of the costs associated with staff and support personnel who manage our business activities and professional fees paid to third parties. Our administrative expenses increased \$0.8 million, or 77.8%, to \$1.9 million for the nine months ended September 30, 2007 from \$1.1 million for the same period in 2006. As a percentage of sales revenue, administrative expenses decreased to 4.9% for the nine months ended September 30, 2007, as compared to 5.2% for the same period in 2006. This percentage decrease was primarily attributable to the fact that the profit increase was higher and faster than the increase in the administrative expenses.

**Selling Expenses.** Our selling expenses include sales commissions, the cost of advertising and promotional materials, salaries and fringe benefits of sales personnel, after-sale support services and other sales related costs. Our selling expenses increased \$0.1 million, or 28.9%, to \$0.6 million for the nine months ended September 30, 2007 from \$0.5 million for the same period in 2006. As a percentage of sales revenue, selling expenses decreased to 1.6% for the nine months ended September 30, 2007, as compared to 2.4% for the same period in 2006. This percentage decrease was primarily attributable to the fact that our profit increase was higher and faster than the increase in our selling expenses.

**Total Expenses.** Our total expenses increased \$1.0 million, or 62.4%, to \$2.6 million for the nine months ended September 30, 2007 from \$1.6 million for the same period in 2006. As a percentage of sales revenue, total expenses decreased to 6.5% for the nine months ended September 30, 2007, as compared to 7.6% for the same period in 2006. This percentage decrease was primarily attributable to the profit increase was higher and faster than the increase in the total expenses.

**Income before Income Taxes.** Income before income taxes increased \$9.6 million, or 264.2%, to \$6.0 million for the nine months ended September 30, 2007 from \$-3.6 million for the same period in 2006. Income before income taxes as a percentage of sales revenue increased to 15.1% for the nine months ended September 30, 2007, as compared to -17.3% for the same period in 2006 due to the factors described above.

**Income Taxes.** Our income taxes increased to \$1.1 million during the nine months ended September 30, 2007 from \$-0.1 million during the same period in 2006.

**Minority Interests.** Our financial statements reflect an adjustment to our consolidated group net income equal to \$0 for the nine months ended September 30, 2007, reflecting the minority interests held by third parties.

**Net Income.** Our net income increased \$8 million, or 258.1%, to \$4.9 million during the nine months ended September 30, 2007 from \$-3.1 million during the same period in 2006, as a result of the factors described above.

### **Comparison of 2006 and 2005**

**Sales Revenue.** Sales revenue increased \$5.6 million, or 23.1%, to \$30.2 million in 2006 from \$24.6 million in 2005. This increase was mainly attributable to the increase of sales volume from 3,410,000 weight cases in 2005 to 4,595,900 weight cases in 2006 after the lease and commencement of operations of a new production line in September 2005.

**Cost of Sales.** Our cost of sales increased \$8.7 million, or 37.9%, to \$31.7 million in 2006 from \$23.0 million in 2005. This increase was mainly due to the increase of sales volume from 3,410,000 weight cases in 2005 to 4,595,900 weight cases in 2006 and to the price hike for heavy oil from RMB 1,750 per ton in 2005 to RMB 2,340 per ton (a 33.7% increase). As a percentage of sales revenue, the cost of goods sold increased to 104.9% during 2006 from 93.6% during 2005.

**Gross Profit.** Our gross profit decreased \$3.0 million, or 194.8%, to \$-1.5 million during 2006 from \$1.5 million in 2005. Gross profit as a percentage of sales revenue was -4.9% during 2006 as compared to 6.4% during 2005. Such percentage decrease was mainly due to the financial strain in slow season, forced price reductions to keep continuous production and price hikes for major raw materials including heavy oil.

**Administrative Expenses.** Our administrative expenses increased \$0.4 million, or 25.4%, to \$1.7 million during 2006 from \$1.3 million in 2005. This increase was mainly due to \$200,000 increase in bad debts reserve and \$200,000 increase in leasing expenses that arose in connection with the commencement of a leasing contract in September 2005 and where we paid RMB 250,000 per month for three months in 2005 and 12 months in 2006. As a percentage of sales revenue, administrative expenses in 2006 increased to 5.5%, as compared to 5.4% for 2005. This percentage increase was primarily attributable to the longer leasing period in 2006.

**Selling Expenses.** Our selling expenses increased \$0.2 million, or 54.6%, to \$0.7 million during 2006 from \$0.5 million in 2005. This increase was mainly due to increase in transportation costs. As a percentage of sales revenue, selling expenses in 2006 increased to 2.5%, as compared to 2.0% for 2005. This percentage increase was primarily attributable to increase in transportation costs.

**Total Expenses.** Our total expenses increased \$0.6 million, or 33.1%, to \$2.4 million during 2006 from \$1.8 million in 2005. This increase was mainly due to increase in transportation costs. As a percentage of sales revenue, total expenses in 2006 increased to 8.0%, as compared to 7.4% for 2005. This percentage increase was primarily attributable to increase in transportation costs.

**Income Before Income Taxes.** Income before income taxes decreased \$4.3 million, or 1760.3%, to \$-4.1 million in 2006 from \$0.2 in 2005. Income before income taxes as a percentage of sales revenue decreased to -13.6% in 2006, as compared to 1.0% in 2005 due to the factors described above.

**Income Taxes.** Our income taxes increased to \$-12,000 from \$-266,000 during 2006 as compared to 2005.

**Net Income.** Our net income decreased \$4.1 million, or 897.6%, to -\$3.6 million in 2006 from \$0.5 million in 2005 as a result of the factors described above.

#### **Comparison of 2005 and 2004**

**Sales Revenue.** Sales revenue decreased \$0.8 million, or 3.3%, to \$24.6 million in 2005 from \$25.4 million in 2004. This decrease was mainly attributable to the financial strain on demand for glass products and forced price reductions needed to keep continuous production. The sales price of our glass products were reduced dramatically from 2004 to 2005.

**Cost of Sales.** Our cost of sales increased \$3.2 million, or 16.4%, to \$23.0 million in 2005 from \$19.8 million in 2004. This increase was mainly due to increase in sales volume from 2,140,000 weight cases in 2004 to 3,410,000 weight cases in 2005 and an increase in heavy oil price from RMB 1,530 per ton in 2004 to RMB 1,750 per ton in 2005. As a percentage of sales revenue, the cost of goods sold increased to 93.6% during 2005 from 77.7% during 2004.

**Gross Profit.** Our gross profit decreased \$4.1 million, or 72.4%, to \$1.6 million during 2005 from \$5.7 million in 2004. Gross profit as a percentage of sales revenue was 6.4% during 2005 as compared to 22.3% during 2004. Such percentage decrease was mainly due to increase in sales volume from 2,140,000 weight cases in 2004 to 3,410,000 weight cases in 2005 and increase in heavy oil price from RMB 1,530 per ton in 2004 to RMB 1,750 per ton in 2005.

**Administrative Expenses.** Our administrative expenses increased \$0.1 million, or 10.8%, to \$1.3 million during 2005 from \$1.2 million in 2004. This increase was mainly due to increase in depreciation reserve after increase in allowance of depreciation as a result of capitalization of interest. As a percentage of sales revenue, administrative expenses in 2005 increased to 5.4%, as compared to 4.7% for 2004. This percentage increase was primarily attributable to increase in allowance of depreciation as a result of capitalization of interest.

**Selling Expenses.** Our selling expenses decreased \$0.3 million, or 42.2%, to \$0.5 million during 2005 from \$0.8 million in 2004. This decrease was mainly due to decrease in transportation costs. As a percentage of sales revenue, selling expenses in 2005 decreased to 2.0%, as compared to 3.3% for 2004. This percentage decrease was primarily attributable to decrease in transportation costs.

**Total Expenses.** Our total expenses decreased \$0.2 million, or 10.9%, to \$1.8 million during 2005 from \$2.0 million in 2004. This decrease was mainly due to decreases in transportation costs. As a percentage of sales revenue, total expenses in 2005 decreased to 7.4%, as compared to 8.0% for 2004. This percentage decrease was primarily attributable to decreases in transportation costs.

**Income Before Income Taxes.** Income before income taxes decreased \$5.5 million, or 95.7%, to \$0.3 million in 2005 from \$5.8 million in 2004. Income before income taxes as a percentage of sales revenue decrease to 1% in 2005, as compared to 22.8% in 2004 due to the factors described above.

**Income Taxes.** Our income taxes decreased to \$-266,000 from \$-42,000 during 2005 as compared to 2004.

**Net Income.** Our net income decreased \$5.3 million, or 92.2%, to \$0.5 million in 2005 from \$5.8 million in 2004 as a result of the factors described above.

### Selected Quarterly Financial Information

The following table sets forth certain unaudited financial information for us for each of the eleven quarters ended September 30, 2007. The consolidated financial statements for each of these quarters have been prepared on the same basis as the audited consolidated financial statements included in this report and, in the opinion of our management, include all adjustments necessary for the fair presentation of the results of operations for these periods. You should read this information together with our audited consolidated financial statements and the related notes included elsewhere in this report.

	Three Months Ended							
	March 31, 2005		June 30, 2005		September 30, 2005		December 31, 2005	
	Amount	Percentage of	Amount	Percentage of	Amount	Percentage of	Amount	Percentage of
	Revenue		Revenue		Revenue		Revenue	
	(dollar amounts in thousands, except percentages and per share data)							
Sales revenue	\$ 5,134	100 %	\$ 4,459	100 %	\$ 7,440	100 %	\$ 7,544	100 %
Gross profit	327	6.3 %	284	6.4 %	474	6.4 %	480	6.3 %
Net income	96	1.8 %	83	1.9 %	139	1.9 %	140	1.8 %
Net income								



per  
common  
share:  
Basic  
and  
diluted

	Three Months Ended							
	March 31, 2006		June 30, 2006		September 30, 2006		December 31, 2006	
	Percentage of		Percentage of		Percentage of		Percentage of	
	Amount	Revenue	Amount	Revenue	Amount	Revenue	Amount	Revenue
	(dollar amounts in thousands, except percentages and per share data)							
Sales revenue	\$ 6,318	100 %	\$ 5,488	100 %	\$ 9,156	100 %	\$ 9,283	100 %
Gross profit	(342)	(5.4) %	(785)	(14.3) %	(538)	(5.9) %	183	2.0 %
Net income	(614)	(9.7) %	(1,269)	(23.1) %	(1,224)	(13.4) %	(538)	-5.8 %
Net income per common share: Basic and diluted	-	-	-	-	-	-	-	-

	Three Months Ended					
	March 31, 2007		June 30, 2007		September 30, 2007	
	Amount	Percentage of	Amount	Percentage of	Amount	Percentage of
	Revenue					
	(dollar amounts in thousands, except percentages and per share data)					
Sales revenue	\$ 8,925	100 %	\$ 17,475	100 %	\$ 13,147	100 %
Gross profit	531	6 %	5,069	29 %	3,610	27.5 %
Net income	(400)	(4.5) %	3,275	18.7 %	2,038	15.5 %
Net income per common share: Basic and diluted						

## Liquidity and Capital Resources

As of September 30, 2007, we had cash and cash equivalents of \$1.5 million and restricted cash of \$0.9 million. The following table provides detailed information about our net cash flow for all financial statements periods presented in this report.

### Statement of Cash Flows

	Years Ended December 31,			Nine months Ended	
	2004	2005	2006	2006	September 30, 2007
	(dollars in thousands)				
Net cash provided by (used in) operating activities	\$ (2,823)	\$ 2,062	\$(3,356)	\$(2,252)	\$ 3,417
Net cash provided by (used in) investing activities	(1,195)	(2,773)	(1,973)	(2,859)	(428)
Net cash provided by (used in) financing activities	3,823	464	5,763	5,347	(2,044)
Effect of foreign currency translation on cash and cash equivalents	0	5	12	5	42
Net cash flows	(195)	(242)	446	241	987

#### *Operating Activities*

Net cash provided by operating activities was \$3.4 million for the nine months ended September 30, 2007, as compared to \$2.3 million net cash used in operating activities for the same period in 2006. In 2006, our net cash provided by operating activities was low as a result of increased costs for main raw materials, lowered gross profit rate and an injection of \$0.87 million to research and development for high value-added ultra-white glass. In 2007, profits from ultra-white glass grew to 18% of the gross profit. Net cash increased as a result of the rising price for simple glass, higher gross profit rates, improved operations and better cash flow.

Net cash used in operating activities was \$3.36 million in 2006, as compared to \$2.06 million net cash provided by operating activities in 2005. The change was mainly due to the fact that sales costs increased faster than profit after the price hikes for raw materials.

Net cash provided by operating activities during 2005 totaled \$2.06 million, as compared to \$2.8 million net cash used in operating activities during 2004. The change was mainly due to decrease in account receivables and increase in cash flow.

***Investing Activities***

Net cash used in investing activities was \$0.4 million for the nine months ended September 30, 2007, as compared to \$2.9 million net cash used in investing activities for the same period in 2006. The change was mainly due to decrease in fixed assets investment and restricted cash.

Net cash used in investing activities was \$1.97 million in 2006, as compared to \$2.77 million net cash used in investing activities in 2005. The change was mainly due to decrease in fixed assets investment and restricted cash.

Net cash used in investing activities during 2005 totaled \$2.77 million, as compared to \$1.2 million net cash used in investing activities during 2004. The change was mainly due to increase in fixed assets investment.

***Financing Activities***

Net cash used in financing activities was \$2.0 million for the nine months ended September 30, 2007, as compared to \$5.3 million net cash provided by financing activities for the same period in 2006. The change was mainly due to repayment of indebtedness.

Net cash provided by financing activities was \$5.8 million in 2006, as compared to \$0.5 million net cash provided by financing activities in 2005. The change was mainly due to bank loan proceeds.

Net cash provided by financing activities during 2005 totaled \$0.5 million, as compared to \$3.8 million net cash provided by financing activities during 2004. The change was mainly due to proceeds from capital injection.

As of September 30, 2007, the amount, maturity date and term of each of our bank loans are as follows:

(dollars in millions)

<b>Banks</b>	<b>Amounts</b>	<b>Maturity Date</b>	<b>Duration</b>
Credit Industry Bank of China, Shenyang Branch	2.7	May 12, 2006	1 year (renewable)
China Construction Bank, Fuxin Branch	4.3	March 26, 2008	1 year
Shanghai Pudong Development Bank, Shenyang Branch	4.0	May 1, 2008	1 year
China Construction Bank, Fuxin Branch (trust receipt loan)	0.8		6 months
<b>Total</b>	<b>11.8</b>		

We believe that we maintain good relationships with the various banks we deal with and our current available working capital, after receiving the aggregate proceeds from our planned capital raising activities and bank loans referenced above, should be adequate to sustain our operations at our current levels through at least the next twelve months.

#### ***Obligations Under Material Contracts***

Below is a table setting forth our material contractual obligations as of September 30, 2007:

	<b>Total</b>	<b>Less than 1 year</b>	<b>2-5 years</b>	<b>More than 5 years</b>
Long term debt obligations	\$ -	\$ -	\$ -	\$ -
Capital commitment	-	-	-	-
Operating lease obligations	3,101,750	391,800	1,567,200	1,142,750
Purchase obligations	-	-	-	-
<b>Total</b>	<b>3,101,750</b>	<b>391,800</b>	<b>1,567,200</b>	<b>1,142,750</b>

*Critical Accounting Policies*

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. Pursuant to the provisions of SFAS No. 142 *Goodwill and Other Intangible Assets*, goodwill is not amortized and is subjected to an annual impairment test which occurs in the fourth quarter of each fiscal year.

Goodwill will be written down only when and if impairment is identified and measured, based on future events and conditions.

Use of estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. These accounts and estimates include, but are not limited to, the valuation of accounts receivable, inventories, deferred income taxes, provision for warranty and the estimation on useful lives of property, plant and equipment. Actual results could differ from those estimates.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, trade receivables and other receivables. All of the Company's cash and cash equivalents and restricted cash were held by major financial institutions located in the PRC, which management believes are of high credit quality. With respect to other receivables and trade receivables, the Company extends credit based on an evaluation of the customer's financial condition. The Company generally does not require collateral for trade receivables and other receivables which maintains an allowance for doubtful accounts of trade receivables and other receivables.

Cash and cash equivalents

Cash and cash equivalents include all cash, deposits in banks and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Almost all the cash and cash equivalents were denominated in Renminbi ( RMB ) and were placed with banks in the PRC. They are not freely convertible into foreign currencies and the remittance of these funds out of the PRC is subject to exchange control restrictions imposed by the PRC government. The remaining insignificant balance of cash and cash equivalents were denominated in US dollars.

Restricted Cash

Deposits in banks pledged as securities for bills payable that are restricted in use are classified as restricted cash under current assets.

Allowance of doubtful accounts

The Company establishes an allowance for doubtful accounts based on management's assessment of the collectibility of trade receivables and other receivables. A considerable amount of judgment is required in assessing the amount of the allowance, the Company considers the historical level of credit losses and applies percentages to aged receivable categories. The Company makes judgments about the creditworthiness of each customer based on ongoing credit evaluations, and monitors current economic trends that might impact the level of credit losses in the future. If the financial condition of the customers were to deteriorate, resulting in their inability to make payments, a larger allowance may be required.

Based on the above assessment, during the reporting years, the management establishes the general provisioning policy to make allowance equivalent to 10% of gross amount of trade receivables and other receivables due over 6-12 months, 25% gross amount of trade receivables and other receivables due over 1-2 years and 50% of gross amount of trade receivables and other receivables due over 2-3 years and 100% of gross amount of trade receivables and other receivables due over 3 years. Additional specific provision is made against trade receivables aged less than 6 months to the extent which they are considered to be doubtful.

Bad debts are written off when identified. The Company extends unsecured credit to customers ranging from three to six months in the normal course of business. The Company does not accrue interest on trade receivables.

Historically, losses from uncollectible accounts have not significantly deviated from the general allowance estimated by the management and no significant additional bad debts have been written off directly to the profit and loss. This general provisioning policy has not changed in the past since establishment and the management considers that the aforementioned general provisioning policy is adequate and not too excessive and does not expect to change this established policy in the near future.

### Inventories

Inventories are stated at the lower of cost or market value. Cost is determined on a weighted average basis and includes all expenditures incurred in bringing the goods to the point of sale and putting them in a saleable condition.

In assessing the ultimate realization of inventories, the management makes judgments as to future demand requirements compared to current or committed inventory levels. Our reserve requirements generally increase as our projected demand requirements; decrease due to market conditions, product life cycle changes. The Company estimates the demand requirements based on market conditions, forecasts prepared by its customers, sales contracts and orders in hand.

In addition, the Company estimates net realizable value based on intended use, current market value and inventory ageing analyses. The Company writes down the inventories for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventories and the estimated market value based upon assumptions about future demand and market conditions.

Based on the above assessment, the Company establishes a general provision to make a 50% provision for inventories aged over 1 year.

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

Depreciation is provided on straight-line basis over their estimated useful lives. The principal depreciation rates are as follows :-

Annual rate

Residual value



Buildings	1.9%	5%
Plant and machinery	9.5%	5%
Motor vehicles	11.875%	5%
Office equipment	19%	5%
Tools	9.5%	5%
Leasehold improvements	12.5%	Nil

Construction in progress mainly represents expenditures in respect of the Company's warehouses and factories under construction. All direct costs relating to the acquisition or construction of the Company's warehouses and factories are capitalized as construction in progress. No depreciation is provided in respect of construction in progress.

Maintenance or repairs are charged to expense as incurred. Significant improvements and renewals that extend the useful life of the asset are capitalized. Upon sale or disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount less proceeds from disposal is charged or credited to income.

#### Land use right

Land use right is stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the terms of the lease of 50 years obtained from the relevant PRC land authority.

### Impairment of long-lived assets

Long-lived assets are tested for impairment in accordance with SFAS No. 144 and Accounting Principles Board ( APB ) Opinion 18, Equity Method of Accounting for Investments in Common Stock, respectively. The Company periodically evaluates potential impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Company recognizes impairment of long-lives assets and investment in an affiliate in the event that the net book values of such assets exceed the future undiscounted cash flows attributable to such assets. During the reporting periods, the Company has no identified any indicators that would require testing for impairment.

### Revenue recognition

Revenue from sales of the Company s products is recognized when the significant risks and rewards of ownership have been transferred to the buyer, the sales price is fixed or determinable and collection is reasonably assured.

### Government grant

Government grant income represents the cash receipt from the relevant government authorities for technical development. Government grant is recognized as income at the time when the approval documents are obtained from the relevant government authorities and when they are received.

### Income taxes

The Company uses the asset and liability method of accounting for income taxes pursuant to SFAS No. 109 Accounting for Income Taxes . Under the asset and liability method of SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statements carrying amounts of existing assets and liabilities and loss carry forwards and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

### Foreign currency translation

The functional currency of the Company is RMB and RMB is not freely convertible into foreign currencies. The Company maintains its financial statements in the functional currency. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet date. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchanges rates prevailing at the dates of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income for the respective periods.

For financial reporting purposes, the financial statements of the Company which are prepared using the functional currency have been translated into United States dollars. Assets and liabilities are translated at the exchange rates at the balance sheet dates and revenue and expenses are translated at the average exchange rates and stockholders equity is translated at historical exchange rates. Any translation adjustments resulting are not included in determining net income but are included in foreign exchange adjustment to other comprehensive income, a component of stockholders equity.

### Fair value of financial instruments

The carrying values of the Company's financial instruments, including cash and cash equivalents, restricted cash, trade and other receivables, dividend payable, trade, bills and other payables approximate their fair values due to the short-term maturity of such instruments. The carrying amounts of bank borrowings approximate their fair values because the applicable interest rates approximate current market rates.

It is management's opinion that the Company is not exposed to significant interest, price or credit risks arising from these financial instruments.

In respect of foreign currency risk, the Company is exposed to this risk arising from import purchase transactions and recognized trade payables as they will affect the future operating results of the Company. The Company did not have any hedging transactions during the reporting periods. As the functional currency of the Company is RMB, the exchange difference on translation to US dollars for reporting purpose is taken to other comprehensive income.

### **Recently issued accounting pronouncements**

In February 2006, the Financial Accounting Standards Board ( FASB ) issued SFAS No. 155 Accounting for Certain Hybrid Financial Instruments: and amendment of FASB Statements No. 133 and 140 . SFAS No. 155 simplifies the accounting for certain derivatives embedded in other financial instruments by allowing them to be accounted for as a whole if the holder elects to account for the whole instrument on a fair value basis. SFAS No. 155 also clarifies and amends certain other provisions of SFAS No. 133 and SFAS No. 140. SFAS No. 155 is effective for all financial instruments acquired, issued or subject to a remeasurement event occurring in fiscal years beginning after September 15, 2006. Earlier adoption is permitted, provided the Company has not yet issued financial statements, including for interim periods, for that fiscal year.

In March 2006, the FASB released SFAS No. 156 Accounting for Servicing of Financial Assets: an amendment of FASB Statement No. 140 to simplify accounting for separately recognized servicing assets and servicing liabilities. SFAS No. 156 permits an entity to choose either the amortization method or the fair value measurement method for measuring each class of separately recognized servicing assets and servicing liabilities after they have been initially measured at fair value. SFAS No. 156 applies to all separately recognized servicing assets and liabilities acquired or issued after the beginning of an entity's fiscal year that begins after September 15, 2006.

In July 2006, the Financial Accounting Standards Board ( FASB ) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ( FIN 48 ). This interpretation requires that we recognize in our financial statements, the

impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 is effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings.

In September 2006, the FASB released SFAS No. 158 *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans: an amendment of FASB Statements No. 87, 88, 106, and 132(R)* which requires an employer to recognize the over funded or under funded status of defined benefit and other postretirement plans as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through an adjustment to comprehensive income. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions.

In September 2006, the SEC issued SAB No. 108, which provides guidance on the process of quantifying financial statement misstatements. In SAB No. 108, the SEC staff establishes an approach that requires quantification of financial statement errors, under both the iron-curtain and the roll-over methods, based on the effects of the error on each of the Company's financial statements and the related financial statement disclosures. SAB No. 108 is generally effective for annual financial statements in the first fiscal year ending after November 15, 2006. The transition provisions of SAB No. 108 permits existing public companies to record the cumulative effect in the first year ending after November 15, 2006 by recording correcting adjustments to the carrying values of assets and liabilities as of the beginning of that year with the offsetting adjustment recorded to the opening balance of retained earnings.

In September 2006, the FASB issued Statement of Financial Accounting Standards ( SFAS ) No. 157 *Fair Value Measurement* ( SFAS 157 ). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 shall be effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including any financial statements for an interim period within that fiscal year. The provisions of this statement should be applied prospectively as of the beginning of the fiscal year in which SFAS 157 is initially applied, except in some circumstances where the statement shall be applied retrospectively. We are currently evaluating the effect, if any, of SFAS 157 on our financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115* ( SFAS 159 ). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with few exceptions. SFAS 159 also establishes presentation and disclosure requirements to facilitate comparisons between companies that choose different measurement attributes for similar assets and liabilities. The requirements of SFAS 159 are effective for the 2008 fiscal year. We are in the process of evaluating this guidance and therefore have not yet determined the impact that SFAS 159 will have on our financial statements upon adoption.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

### **Seasonality**

Our Company's business is seasonal, with the highest proportion of sales and operating income being generated in the second and third quarters of each year, with lesser sales and operating income being generated in the first and fourth quarters of each year. Our working capital requirements fluctuate during the year, increasing substantially during the first and fourth quarters as a result of lower demand for glass products due to the curtailments of construction works in winter season.

## **DESCRIPTION OF PROPERTY**

There is no private land ownership in China. Individuals and companies are permitted to acquire land use rights for specific purposes. We were granted land use rights from the PRC government for 134318.5square meters of land located in the Glass Industrial Park at 123 Chuangye Road, Haizhou District, Fuxin City, Liaoning Province, China. We also have 21 properties located at 123 Chuangye Road, Haizhou District, Fuxin City, Liaoning Province, China. The land use rights will expire on September 18, 2052. we have placed mortgages on the land and 19 properties to secure certain bank loans for an amount up to approximately \$8.3 million.

We also lease land use right for 108,068 square meters and 42 properties (aggregated surface of 22,470.22 square meters) from Fuxin Guangya Flat Glass Co. Ltd.

We believe that all our properties have been adequately maintained, are generally in good condition and are suitable and adequate for our business.

#### **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information regarding beneficial ownership of our common stock as of March 31, 2008 (i) by each person who is known by us to beneficially own more than 5% of our common stock; (ii) by each of our officers and directors; and (iii) by all of our officers and directors as a group.

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Unless otherwise specified, the address of each of the persons set forth below is in care of Fuxin Hengrui Technology, Inc., 123 Chuangye Road, Haizhou District, Fuxin City, Liaoning Province, People's Republic of China.

<u>Name &amp; Address of Beneficial Owner</u>	<u>Office, If Any</u>	<u>Title of Class</u>	<u>Amount and Nature of Beneficial Ownership</u> <sup>(1)</sup>	<u>Percent of Class</u> <sup>(2)</sup>
<b>Officers and Directors</b>				
Timothy P. Halter <sup>(3)</sup> 12890 Hill Top Road Argyle, TX 76226	Director	Common Stock \$0.01 par value	1,066,511	4.27%
Lihui Song	Director, CEO and President	Common stock \$0.01 par value	0	*
Qiang Hao	Chief Financial Officer	Common stock \$0.01 par value	0	*
All officers and directors as a group (3 persons named above)		Common stock \$.01 par value	1,066,511	4.27%
<b>5% Securities Holder</b>				
Lin Tan <sup>(4)</sup>		Common stock \$0.01 par value	15,438,612	61.75%
Yan Tan <sup>(5)</sup>		Common stock \$0.01 par value	5,700,410	22.8%
Hong Tan <sup>(6)</sup>		Common stock \$0.01 par value	1,425,103	5.7%

\* Less than 1%

<sup>1</sup>Beneficial Ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Each of the beneficial owners listed above has direct ownership of and sole voting power and investment power with respect to the shares of our common stock.



<sup>2</sup>As of March 31, 2008, a total of 25,001,800 shares of our common stock are considered to be outstanding pursuant to SEC Rule 13d-3(d)(1).

<sup>3</sup> Includes 1,066,511 shares held by Halter Financial Investments, L.P. ("HFI"). HFI is a Texas limited partnership of which Halter Financial Investments GP, LLC, a Texas limited liability company ("HFI GP"), is the sole general partner. The limited partners of HFI are: (i) TPH Capital, L.P., a Texas limited partnership of which TPH Capital GP, LLC, a Texas limited liability company ("TPH GP"), is the general partner and Timothy P. Halter is the sole member of TPH GP; (ii) Bellfield Capital, L.P., a Texas limited partnership of which Bellfield Capital Management, LLC, a Texas limited liability company ("Bellfield LLC"), is the sole general partner and David Brigante is the sole member of Bellfield LLC; (iii) Colhurst Capital LP, a Texas limited partnership of which Colhurst Capital GP, LLC, a Texas limited liability company ("Colhurst LLC"), is the general partner and George L. Diamond is the sole member of Colhurst LLC; and (iv) Rivergreen Capital, LLC, a Texas limited liability company ("Rivergreen LLC"), of which Marat Rosenberg is the sole member. As a result, each of the foregoing persons may be deemed to be a beneficial owner of the shares held of record by HFI.

<sup>4</sup>Includes 15,438,612 shares held by Money Victory Limited, a BVI corporation, for which Ms. Lin Tan is deemed to be the sole beneficial owner:

<sup>5</sup>Includes 5,700,410 shares held by Win-Win Global Investments, Inc., a BVI corporation, for which Ms. Yan Tan is deemed to be the 80% beneficial owner.

<sup>6</sup>Includes 1,425,103 shares held by Win-Win Global Investments, Inc., a BVI corporation, for which Ms. Hong Tan is deemed to be the 20% beneficial owner.

### **Changes in Control**

There are currently no arrangements which may result in a change in control of the Company.

**DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS****Directors and Executive Officers**

The following table sets forth the name and position of each of our current executive officers and directors.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Lihui Song	46	Chairman, President and CEO
Qiang Hao	39	Chief Financial Officer, Treasurer and Secretary
Tim Halter	41	Director

**Lihui Song (CEO)**

Mr. Song has been our Chief Executive Officer, President and Chairman of our board since March 31, 2008. From 2004 to July 2007, Mr. Song served as the Chairman of Fuxin Hengrui. Since December 28, 2005, he served as Chief Executive Officer at Fuxin Hengrui. In 2006, he was the Chairman and CEO of Hong Kong Dollar Come Investment Limited, the holding company of Fuxin Hengrui. In 2002, he established Fuxin Guangya High Technology Co. Ltd, the predecessor of Fuxin Hengrui, and served as its Chairman and General Manager. During his tenure, Mr. Song established a 500-ton float glass production line with an investment of RMB230 million. From 1984 to 2002, Mr. Song was working for Fuxin Glass Company as assistant engineer, engineer, senior engineer, deputy manager, and manager. He has been named "Young Expert Contributing to Local Development" by Fuxin City. Mr. Song earned his Bachelor's Degree in silicate material from Liaoning Light Industry Institute in 1984.

**Qiang Hao (CFO)**

Mr. Hao has been our Chief Financial Officer, treasurer and secretary since March 31, 2008. He has been Chief Financial Officer of Fuxin Hengrui since December 2005. Mr. Hao has 15 years of accounting experience. He obtained his mid-level accounting certificate in 1994, tax accountant certificate in 1998, advanced accounting certificate in 2001. He has been a CPA since 2000. Mr. Hao has extensive experience in accounting and auditing. Mr. Hao earned his Bachelor's Degree in accounting from Dongbei University of Finance and Economics in 1992.

**Timothy Halter (Director)**

Mr. Halter has been our Chairman of the Board of Directors, President, Chief Financial Officer and Secretary since October 2005. On March 31, 2008, Mr. Halter resigned from all offices he held with us. On the same date, Mr. Halter submitted his resignation as our sole director, which will become effective upon the 10th day following the mailing of an information statement complying with Rule 14f-1 of the Securities Exchange Act. Since 1995, Mr. Halter has been the President and the sole stockholder of Halter Financial Group, Inc., a Texas based consulting firm specializing in the area of mergers, acquisitions and corporate finance. He currently serves as a director of DXP Enterprise, Inc., a public corporation (Nasdaq: DXPE), an officer and director of Nevstar Corporation and RTO Holdings, Inc., each a Nevada Corporation, and an officer and director of Robcor Properties, Inc., a Florida corporation.

Except as noted above, there are no other agreements or understandings for any of our executive officers or directors to resign at the request of another person and no officer or director is acting on behalf of or will any of them act at the direction of any other person.

Directors are elected until their successors are duly elected and qualified.

**Board Composition and Committees**

Our board of directors is currently composed of two members, Mr. Lihui Song, who is also our Chief Executive Officer, and Mr. Timothy P. Halter who submitted his resignation from the Board effective on the 10th day after the mailing of an information statement to our stockholders that complies with the requirements of Section 14f-1 of the Exchange Act.

All actions of the board of directors require the approval of a majority of the directors in attendance at a meeting at which a quorum is present.

We currently do not have standing audit, nominating or compensation committees. Currently, our entire board of directors is responsible for the functions that would otherwise be handled by these committees. We intend, however, to establish an audit committee, a nominating committee and a compensation committee of the board of directors as soon as practicable. We envision that the audit committee will be primarily responsible for reviewing the services performed by our independent auditors, evaluating our accounting policies and our system of internal controls. The nominating committee would be primarily responsible for nominating directors and setting policies and procedures for the nomination of directors. The nominating committee would also be responsible for overseeing the creation and implementation of our corporate governance policies and procedures. The compensation committee will be primarily responsible for reviewing and approving our salary and benefit policies (including stock options), including compensation of executive officers.



Our board of directors has not made a determination as to whether any member of our board is an audit committee financial expert. Upon the establishment of an audit committee, the board will determine whether any of the directors qualify as an audit committee financial expert.

### **Family Relationships**

There are no family relationships among our directors or officers.

### **Involvement in Certain Legal Proceedings**

To the best of our knowledge, none of our directors or executive officers has been convicted in a criminal proceeding, excluding traffic violations or similar misdemeanors, or has been a party to any judicial or administrative proceeding during the past five years that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws, except for matters that were dismissed without sanction or settlement. Except as set forth in our discussion below in Transactions with Related Persons, Promoters and Certain Control Persons; Corporate Governance, none of our directors, director nominees or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the SEC.

### **Code of Ethics**

After the reverse acquisition, our board of directors will adopt a new code of ethics that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. The new code will replace our prior code of ethics that applied only to our principal executive officer, principal financial officer, principal accounting officer or controller and any person who performed similar functions, and addresses, among other things, honesty and ethical conduct, conflicts of interest, compliance with laws, regulations and policies, including disclosure requirements under the federal securities laws, confidentiality, trading on inside information, and reporting of violations of the code.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

*Overview*

The following is a discussion of our program for compensating our named executive officers and director. Currently, we do not have a compensation committee, and as such, our board of directors is responsible for determining the compensation of our named executive officers.

*Compensation Program Objectives and Philosophy*

The primary goals of our policy of executive compensation are to attract and retain the most talented and dedicated executives possible, to assure that our executives are compensated effectively in a manner consistent with our strategy and competitive practice and to align executives compensation with the achievement of our short- and long-term business objectives.

The board of directors considers a variety of factors in determining compensation of our executives, including their particular background and circumstances, such as their training and prior relevant work experience, and their success in attracting and retaining savvy and technically proficient managers and employees, increasing our annual operating revenues, year-to-year improvements in our financial results, broadening our product line offerings, managing our costs and otherwise helping to lead our company through a period of rapid growth.

Since fiscal year 2007, we have provided a base salary to two of our named executive officers, Mr. Lihui Song, our Chairman and CEO, and Mr. Qiang Hao, our Chief Financial Officer, the amount of which was established in our their respective employment agreements and approved by our director, Lihui Song, in accordance with our objectives and philosophy. The board particularly considered the past performance of the named executive officers and whether each such officer's performance has helped the Company to achieve its overall business objectives. In light of our recent reorganization of our subsidiaries, reverse acquisition and the rapid growth in sales of our glass products over the past 3 years, Mr. Song believes that each of our executive officers have performed well and have contributed to the strength of the Company.

In the near future, we expect that our board of directors may form a compensation committee charged with the oversight of executive compensation plans, policies and programs of our company and with the full authority to determine and approve the compensation of our chief executive officer and make recommendations with respect to the compensation of our other executive officers. We expect that our compensation committee will continue to follow the general approach to executive compensation that we have followed to date, rewarding superior individual and company performance with commensurate cash compensation.

### *Elements of Compensation*

Our compensation program for the named executive officers consists of two elements: base salary and bonus. The base salary we provide is intended to equitably compensate the named executive officers based upon their level of responsibility, complexity and importance of role, leadership and growth potential, and experience. We offer bonuses as a vehicle by which the named executive officers can earn additional compensation depending on individual, business unit and Company performance. The Company did not provide any other type of compensation to our named executive officers in 2006 or as of September 30, 2007.

*Base Salary.* In 2006, we provided our executive officers solely with a base salary to compensate them for services rendered during the year. The base salary we provide is intended to equitably compensate the named executive officers based upon their level of responsibility and relevant experience. Our named executive officers are employees-at-will and received an annual salary as provided in their employment agreements, which are reflected in the Summary Compensation Table below.

*Discretionary Bonus.* In fiscal year 2006, we did not provide bonus compensation to our executive officers. However, as of fiscal year 2007, our named executive officers are eligible to receive a discretionary annual bonus, pursuant to the terms of their respective employment agreements. Our board of directors has not yet granted or considered granting any discretionary bonuses for 2007 and we have not adopted any formal guidelines for determining whether to grant such compensation. However, it is likely that any consideration to grant discretionary bonuses to our executives will be based on their achievement of personal annual performance objectives, as well as their achievement of corporate goals and value-creating milestones such as the development of our products, the establishment and maintenance of key strategic relationships, reaching sales and marketing targets and the growth of our customer base

as well as our financial and operational performance, as measured by metrics such as revenues and profitability. If the board of directors determines to provide bonus compensation as a regular part of our executive compensation package, our board of directors or its compensation committee, if established, will establish performance goals for each of the executive officers and maximum bonuses that may be earned upon attainment of such performance goals.

***Stock-Based Awards under the Equity Incentive Plan***

Historically, we have not granted equity awards as a component of compensation, and we presently do not have an equity-based incentive program. In the future, we will likely adopt and establish an equity incentive plan pursuant to which equity awards may be granted to eligible employees, including each of our named executive officers, if our board of directors determines that it is in our best interest and the best interest of our stockholders to do so.

***Post-Employment Compensation***

Currently, we do not provide any employees, including our named executive officers, post-employment compensation, including company sponsored retirement benefits, deferred compensation, severance, termination or change of control arrangements (other than a state pension scheme in which all of our employees in China participate).



**Perquisites**

Historically, we have provided our named executive officers with minimal perquisites and other personal benefits that we believe are reasonable. For fiscal year 2007, the aggregate amount of the perquisites and other personal benefits provided to any named executive officer did not exceed \$10,000. We do not view perquisites as a significant element of compensation, but we do believe they can be useful in attracting, motivating and retaining the executive talent for which we compete. We believe that these additional benefits assist our named executive officers in performing their duties and provide time efficiencies for them. It is expected that our historical practices regarding perquisites will continue and will be subject to periodic review by our compensation committee or our board of directors if we do not yet have a compensation committee.

The following table sets forth information concerning all cash and non-cash compensation awarded to, earned by or paid to our Chief Executive Officer and Chief Financial Officer during the fiscal years ended December 31, 2006, 2005 and 2004.

**SUMMARY COMPENSATION TABLE**

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Stock Awards (\$)</b>	<b>Option Awards (\$)</b>	<b>Non-Equity Incentive Plan Compensation Earnings (\$)</b>	<b>Non-qualified Deferred Compensation Earnings (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Lihui Song, Chairman, President and CEO (1)	2006	46,152	N/A	N/A	N/A	N/A	N/A	N/A	46,152
	2005	38,000	N/A	N/A	N/A	N/A	N/A	7600	45,600
	2004	30,000	N/A	N/A	N/A	N/A	N/A	6000	36,000
Qiang Hao, Chief Financial Officer, Treasurer and Secretary (2)	2006	19,230	N/A	N/A	N/A	N/A	N/A	N/A	19,230
	2005	666	N/A	N/A	N/A	N/A	N/A	N/A	666
	2004	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Tim Halter, Chairman, President and CEO (3)	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2005	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2004	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) On March 31 2008, Nevstar acquired Dollar Come in a reverse acquisition transaction that was structured as a share exchange and in connection with that transaction, Mr. Song became the Chief Executive Officer, President and Chairman of Nevstar. Prior to the effective date of the reverse acquisition, Mr. Song served at Fuxin Hengrui as the Chief Executive Officer.

(2) On March 31 2008, Nevstar acquired Dollar Come in a reverse acquisition transaction that was structured as a share exchange and in connection with that transaction, Mr. Hao became the Chief Financial Officer, Treasurer and Secretary of Nevstar. Prior to the effective date of the reverse acquisition, Mr. Song served at Fuxin Hengrui as the Chief Financial Officer.

(3) Timothy P. Halter tendered his resignation to Nevstar upon the closing of the reverse acquisition of Wonder Auto on March 31, 2008. Mr. Halter resigned from all offices he held with Nevstar on March 31, 2008 and his

resignation from his position as our director will become effective upon the 10<sup>th</sup> day following the mailing of an information statement complying with Rule 14f-1 of the Securities Exchange Act, which is expected to be on or about April 10, 2008

***Employment Agreements***

Our subsidiary Fuxin Hengrui has employment agreements with the following executive officers.

Lihui Song, our CEO, President and Chairman's employment agreement became effective as of December 28, 2005. Mr. Song is an employee-at-will and received \$45,600 and \$46,152 for 2005 and 2006 respectively.

Qiang Hao, our CFO's employment agreement became effective as of December 10, 2005. Mr. Hao is an employee-at-will and received \$666 and \$19,230 for 2005 and 2006 respectively.

***Director Compensation***

During the 2007 fiscal year, we did not pay our directors any compensation for their services as our directors. In the future, we may adopt a policy of paying independent directors a fee for their attendance at board and committee meetings. We do reimburse each director for reasonable travel expenses related to such director's attendance at board of directors and committee meetings.

***Compensation Committee Interlocks and Insider Participation***

During the last fiscal year, we did not have a standing compensation committee. Our board of directors was responsible for the functions that would otherwise be handled by the compensation committee.

***Limitation of Liability and Indemnification***

Our Articles of Incorporation states that no director shall be liable to the company or any of its stockholders for monetary damages for acts or omissions by the director in his or her capacity as a director to the fullest extent permitted under Nevada law, except generally with respect to (i) a breach of the director's duty of loyalty to the Company or its stockholders, (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) liability which may be specifically defined by law, or (iv) a transaction from which the director derived an improper personal benefit. In addition, our Articles of Incorporation and by-laws provides that we indemnify, to the fullest extent permitted by Nevada law, each person that such law grants us the power to indemnify.

Insofar as indemnification by us for liabilities arising under the Exchange Act may be permitted to our directors, officers and controlling persons pursuant to provisions of the Articles of Incorporation and Bylaws, or otherwise, we have been advised that in the opinion of the SEC, such indemnification is against public policy and is, therefore, unenforceable. In the event that a claim for indemnification by such director, officer or controlling person of us in the successful defense of any action, suit or proceeding is asserted by such director, officer or controlling person in connection with the securities being offered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Exchange Act and will be governed by the final adjudication of such issue.

There is no pending litigation or proceeding involving any of our directors or executive officers to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

**TRANSACTIONS WITH RELATED PERSONS,  
PROMOTERS AND CONTROL PERSONS; DIRECTOR INDEPENDENCE**

***Transactions with related persons***

The following includes a summary of transactions since the beginning of the last fiscal year, or any currently proposed transaction, in which we were or are to be a participant and the amount involved exceeded or exceeds \$120,000, and in which any related person had or will have a direct or indirect material interest (other than compensation described under Executive Compensation ). We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arm's-length transactions.

Except as set forth in our discussion above, none of our directors, director nominees or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the SEC.

Between August and December 2006, Fuxin Hengrui made five purchases of coal water mixture from its subsidiary, Tianyuan with a total amount of \$1.2 million. In 2006, Fuxin Hengrui received \$18,840 for rent from Tianyuan. The rent was estimated based on market value.

***Policies and Procedures for Review, Approval or Ratification of Transactions with Related Persons***

As we increase the size of our board of directors and gain independent directors, we expect to prepare and adopt a written related-person transactions policy that sets forth our policies and procedures regarding the identification, review, consideration and approval or ratification of related-persons transactions. For purposes of our policy only, a related-person transaction will be a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which we and any "related person" are participants involving an amount that exceeds \$50,000. Transactions involving compensation for services provided to us as an employee, director, consultant or similar capacity by a related person will not be covered by this policy. A related person will be any executive officer, director or a holder of more than five percent of our common stock, including any of their immediate family members and any entity owned or controlled by such persons.

We anticipate that, where a transaction has been identified as a related-person transaction, the policy will require management to present information regarding the proposed related-person transaction to our audit committee (or, where approval by our audit committee would be inappropriate, to another independent body of our board of directors) for consideration and approval or ratification. Management's presentation will be expected to include a description of, among other things, the material facts, the direct and indirect interests of the related persons, the benefits of the transaction to us and whether any alternative transactions are available.

To identify related-person transactions in advance, we are expected to rely on information supplied by our executive officers, directors and certain significant stockholders. In considering related-person transactions, our board of directors will take into account the relevant available facts and circumstances including, but not limited to:

- the risks, costs and benefits to us;
- the impact on a director's independence in the event the related person is a director, immediate family member of a director or an entity with which a director is affiliated;
- the terms of the transaction;
- the availability of other sources for comparable services or products; and
- the terms available to or from, as the case may be, unrelated third parties or to or from our employees generally.

We also expect that the policy will require any interested director to excuse himself or herself from deliberations and approval of the transaction in which the interested director is involved.

***Promoters and Certain Control Persons***

We did not have any promoters at any time during the past five fiscal years.

***Director Independence***

We currently do not have any independent directors, as the term "independent" is defined by the rules of the Nasdaq Stock Market.

**LEGAL PROCEEDINGS**

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have a material adverse affect on our business, financial condition or operating results.

**MARKET PRICE OF AND DIVIDENDS ON OUR COMMON  
EQUITY AND RELATED STOCKHOLDER MATTERS**

**Market Information**

Our common stock is quoted on the OTC Bulletin Board trades under the symbol NVSC.OB.

The following table sets forth, for the periods indicated, the high and low bid prices of our common stock. These prices reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

	Closing Bid Prices <sup>(1)</sup>	
	High	Low
<b>Year Ended December 31, 2008</b>		
1 <sup>st</sup> Quarter (through March 26)	\$1.25	\$1.25
<b>Year Ended December 31, 2007</b>		
1 <sup>st</sup> Quarter	N/A	N/A
2 <sup>nd</sup> Quarter	N/A	N/A
3 <sup>rd</sup> Quarter	N/A	N/A
4 <sup>th</sup> Quarter	\$1.25	\$1.25
<b>Year Ended December 31, 2006</b>		
1 <sup>st</sup> Quarter	N/A	N/A
2 <sup>nd</sup> Quarter	N/A	N/A
3 <sup>rd</sup> Quarter	N/A	N/A
4 <sup>th</sup> Quarter	\$0.15	\$0.15
<b>Year Ended December 31, 2005</b>		
3 <sup>rd</sup> Quarter	N/A	N/A
4 <sup>th</sup> Quarter	N/A	N/A

<sup>(1)</sup> The above table sets forth the range of high and low closing bid prices per share of our common stock as reported by www.quotemedia.com for the periods indicated. The closing price of our common stock on March 26, 2008 was \$1.25 per share.

### Approximate Number of Holders of Our Common Stock

As of March 26, 2008, there were approximately 669 stockholders of record of our common stock, as reported by our transfer agent. In computing the number of holders of record, each broker-dealer and clearing corporation holding shares on behalf of its customers is counted as a single shareholder.

### Dividends

We have never declared dividends or paid cash dividends. Our board of directors will make any future decisions regarding dividends. We currently intend to retain and use any future earnings for the development and expansion of our business and do not anticipate paying any cash dividends in the near future. Our board of directors has complete discretion on whether to pay dividends, subject to the approval of our shareholders. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

## **Securities Authorized for Issuance Under Equity Compensation Plans**

We do not have in effect any compensation plans under which our equity securities are authorized for issuance and we do not have any outstanding stock options.

### **RECENT SALES OF UNREGISTERED SECURITIES;**

### **USE OF PROCEEDS FROM REGISTERED SECURITIES**

Reference is made to the disclosure set forth under Item 3.02 of this report, which disclosure is incorporated herein by reference.

## **DESCRIPTION OF SECURITIES**

### **Common Stock**

We are authorized to issue up to 150,000,000 shares of common stock, par value \$0.01 per share. Each outstanding share of common stock entitles the holder thereof to one vote per share on all matters. Our bylaws provide that elections for directors shall be by a majority of votes. Stockholders do not have preemptive rights to purchase shares in any future issuance of our common stock. Upon our liquidation, dissolution or winding up, and after payment of creditors and preferred stockholders, if any, our assets will be divided pro-rata on a share-for-share basis among the holders of the shares of common stock.



The holders of shares of our common stock are entitled to dividends out of funds legally available when and as declared by our board of directors. Our board of directors has never declared a dividend and does not anticipate declaring a dividend in the foreseeable future. Should we decide in the future to pay dividends, as a holding company, our ability to do so and meet other obligations depends upon the receipt of dividends or other payments from our operating subsidiaries and other holdings and investments. In addition, our operating subsidiaries, from time to time, may be subject to restrictions on their ability to make distributions to us, including as a result of restrictive covenants in loan agreements, restrictions on the conversion of local currency into U.S. dollars or other hard currency and other regulatory restrictions. In the event of our liquidation, dissolution or winding up, holders of our common stock are entitled to receive, ratably, the net assets available to stockholders after payment of all creditors.

All of the issued and outstanding shares of our common stock are duly authorized, validly issued, fully paid and non-assessable. To the extent that additional shares of our common stock are issued, the relative interests of existing stockholders will be diluted.

### **Preferred Stock**

We are authorized to issue up to 10,000,000 shares of preferred stock, par value \$0.01 per share, in one or more classes or series within a class as may be determined by our board of directors, who may establish, from time to time, the number of shares to be included in each class or series, may fix the designation, powers, preferences and rights of the shares of each such class or series and any qualifications, limitations or restrictions thereof. Any preferred stock so issued by the board of directors may rank senior to the common stock with respect to the payment of dividends or amounts upon liquidation, dissolution or winding up of us, or both. Moreover, under certain circumstances, the issuance of preferred stock or the existence of the unissued preferred stock might tend to discourage or render more difficult a merger or other change of control.

No shares of preferred stock are currently outstanding. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a majority of our outstanding voting stock.

### **Transfer Agent and Registrar**

Our independent stock transfer agent is Securities Transfer Corporation, 2591 Dallas Parkway, Suite 102, Frisco TX 75034. Their phone number is (469) 633-0100.

**INDEMNIFICATION OF DIRECTORS AND OFFICERS**

Our Articles of Incorporation and bylaws provide for the indemnification of our present and prior directors and officers or any person who may have served at our request as a director or officer of another corporation in which we own shares of capital stock or of which we are a creditor, against expenses actually and necessarily incurred by them in connection with the defense of any actions, suits or proceedings in which they, or any of them, are made parties, or a party, by reason of being or having been director(s) or officer(s) of us or of such other corporation, to the extent permitted by Nevada law. This indemnification policy could result in substantial expenditure by us, which we may be unable to recoup.

Insofar as indemnification by us for liabilities arising under the Securities Exchange Act of 1934 may be permitted to our directors, officers and controlling persons pursuant to provisions of the Articles of Incorporation and Bylaws, or otherwise, we have been advised that in the opinion of the SEC, such indemnification is against public policy and is, therefore, unenforceable. In the event that a claim for indemnification by such director, officer or controlling person of us in the successful defense of any action, suit or proceeding is asserted by such director, officer or controlling person in connection with the securities being offered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

At the present time, there is no pending litigation or proceeding involving a director, officer, employee or other agent of ours in which indemnification would be required or permitted. We are not aware of any threatened litigation or proceeding which may result in a claim for such indemnification.

**CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS  
ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Reference is made to the disclosure set forth under Item 4.01 of this report, which disclosure is incorporated herein by reference.

**ITEM 4.01**

**CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

On March 31, 2008, concurrent with the share exchange transaction, our board of directors recommended and approved the dismissal of Rose, Snyder & Jacobs ( Rose ) as our independent auditor, effective upon the filing of the consummation of the share exchange transaction.

Rose's reports on our financial statements as of and for the fiscal years ended June 30, 2006 and June 30, 2007 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles, except that its report for the fiscal year ended June 30, 2007 contained a going concern qualification as to the ability of us to continue.

During our two most recent fiscal years ended 2006 and 2007 and during the subsequent interim period through the date of this report, there were (1) no disagreements with Rose on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of Rose, would have caused Rose to make reference to the subject matter of the disagreements in connection with its reports, and (2) no events of the type listed in paragraphs (A) through (D) of Item 304(a)(1)(v) of Regulation S-K.

Concurrent with the decision to dismiss Rose as our independent auditor, our board of directors elected to continue the existing relationship of our new subsidiary Fuxin Hengrui with PKF Hong Kong, Certified Public Accounts and appointed PKF Hong Kong, Certified Public Accounts as our independent registered public accounting firm.

During the fiscal years ended 2006 and 2007 and through the date hereof, neither us nor anyone acting on our behalf consulted PKF Hong Kong, Certified Public Accounts with respect to (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, and neither a written report was provided to us or oral advice was provided that PKF Hong Kong, Certified Public Accounts concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was the subject of a disagreement or reportable events set forth in Item 304(a)(1)(iv) and (v), respectively, of Regulation S-K.

We furnished Rose with a copy of this disclosure on March 31, 2008, providing Rose with the opportunity to furnish us with a letter addressed to the SEC stating whether it agrees with the statements made by us herein in response to Item 304(a) of Regulation S-K and, if not, stating the respect in which it does not agree.

## **ITEM 5.01**

### **CHANGES IN CONTROL OF REGISTRANT**

Reference is made to the disclosure set forth under Item 2.01 of this report, which disclosure is incorporated herein by reference.

As a result of the closing of the share exchange with Dollar Come, the former stockholders of Dollar Come own 95% of the total outstanding shares of our capital stock and 95% total voting power of all our outstanding voting securities.

**ITEM 5.02**

**DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF CERTAIN OFFICERS; COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS**

In connection with the closing of the reverse acquisition on March 31, 2008, Timothy Halter, our sole director and officer, submitted a resignation letter pursuant to which he resigned from all offices of that he held effective immediately and from his position as our director that will become effective on the tenth day following the mailing by us of the Information Statement to our stockholders, which will be mailed out on or about March 31, 2008. The resignation of Mr. Halter is not in connection with any known disagreement with us on any matter.

Lihui Song was appointed to our board of directors effective as of the closing of the share exchange transaction on March 31, 2008. We expect to fill the vacancy created by Mr. Halter's resignation upon its effectiveness which is expected to occur on the tenth day following the mailing by us of the Information Statement to our stockholders, which will be mailed out on or about March 31, 2008.

A copy of this report has been provided to Mr. Halter. Mr. Halter has been provided with the opportunity to furnish us as promptly as possible with a letter addressed to us stating whether he agrees with the statements made by us in this report, and if not, stating the respects in which he does not agree. No such letter has been received by us.

Also on March 31, 2008, in connection with the closing of the reverse acquisition, Lihui Song was appointed as our Chairman and Chief Executive Officer, and Qiang Hao was appointed as our Chief Financial Officer, Secretary and Treasurer.

For certain biographical and other information regarding the newly appointed officers and directors, see the disclosure under Item 2.01 of this report, which disclosure is incorporated herein by reference.

**ITEM 5.03**

**AMENDMENT TO ARTICLES OF INCORPORATION OR BYLAWS; CHANGE IN FISCAL YEAR**

On March 31, 2008, our board of directors approved a change in our fiscal year end from June 30 to December 31. This change is being effectuated in connection with the reverse acquisition transaction described in Item 2.01 above.

**ITEM 5.06**

**CHANGE IN SHELL COMPANY STATUS**

Reference is made to the disclosure set forth under Item 2.01 and 5.01 of this report, which disclosure is incorporated herein by reference.

**ITEM 9.01**

**FINANCIAL STATEMENTS AND EXHIBITS**

(a)

Financial Statements of Business Acquired

Filed herewith are the following:

1. Unaudited financial statements of Fuxin Hengrui for the nine months ended September 2007.

- Audited financial statements of Fuxin Hengrui for the fiscal years ended December 31, 2004, 2005 and 2006.

(d)

Exhibits

**Exhibit Description**

<b>Exhibit No.</b>	<b>Description</b>
<u>2.1</u>	<u>Share Exchange Agreement, dated March 31, 2008, among the Company, Dollar Come, Ltd. and its shareholders. *</u>
3.1	Certificate of Incorporation of the Company, as amended to date. [Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission filed on January 13, 2006.]
3.2	Bylaws of the Company, as amended to date. [Incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the Commission filed on January 13, 2006.]
<u>10.1</u>	<u>Lease Agreement with Fuxin Guangya on August 25, 2004. *</u>
<u>10.2</u>	<u>Bank Loan Agreement with Chinese Construction Bank*</u>
<u>10.3</u>	<u>Bank Loan Agreement with Shanghai Pudong Development Bank*</u>
<u>10.4</u>	<u>Bank Loan Agreement with CITIC Bank*</u>
<u>10.5</u>	<u>Purchase Agreement for Pure Alkali with Tangshan SanYou Chemical Industry Inc. on January 1, 2007 *</u>
<u>10.6</u>	<u>Purchase Agreement for Coal with Xinxing Material Sales agency of Fuxin Economic Development Zone on July 14, 2007.</u>
<u>10.7</u>	<u>Purchase Agreement for Blend Oil with Panjin Yidong Petrochemical Co., LTD on August 30, 2007*</u>
<u>10.8</u>	<u>Sales Contract of Crystal Float Glass with Guangzhou Jingyao Glass Products Co. LTD on March 9, 2007*</u>
<u>10.9</u>	<u>Sales Contract of Crystal Float Glass with Fuxin Guangmingwuzi Co. LTD on December 4, 2006.</u>
<u>10.10</u>	<u>Debt Settlement Agreement with Fuxin Dongfang Glass Co., Ltd on June 30, 2006*</u>
<u>10.11</u>	<u>Employment Agreement with Lihui Song*</u>
<u>10.12</u>	<u>Employment Agreement with Qiang Hao*</u>
16	Change of Auditor *
<u>21.1</u>	<u>Subsidiaries of the Company *</u>

\* Filed herein





SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NEVSTAR CORPORATION

By: /s/Lihui Song  
Lihui Song  
Chief Executive Officer

Dated: March 31, 2008

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**Dollar Come Investments Limited**

Condensed Consolidated Financial Statements  
For the three months ended March 31, 2007  
(Stated in US dollars)

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**Dollar Come Investments Limited**  
**Condensed Consolidated Financial Statements**

**Three months ended March 31, 2007**

Index to Condensed Consolidated Financial Statements

	Pages
<u>Condensed Consolidated Statements of Income and Other Comprehensive Income</u>	1
<u>Condensed Consolidated Balance Sheets</u>	2 - 3
<u>Condensed Consolidated Statements of Cash Flows</u>	4 - 5
<u>Notes to Condensed Consolidated Financial Statements</u>	6 - 17

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**Dollar Come Investments Limited**  
**Condensed Consolidated Statements of Income and Other Comprehensive Income**  
**For the three months ended March 31, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

	<i>Three months ended</i>	
	<i>March 31</i>	
	<i>(Unaudited)</i>	
	<u>2007</u>	<u>2006</u>
Revenue		
Sales revenues - Note 18	\$ 8,924,893	\$ 6,317,665
Cost of sales	(8,393,714)	(6,660,091)
	<u>531,179</u>	<u>(342,426)</u>
Gross profit/(loss)		
Operating expenses		
Administrative expenses	430,818	246,630
Selling expenses	261,540	57,836
	<u>692,358</u>	<u>304,466</u>
Total operating expenses		
Loss from operations	(161,179)	(646,892)
Interest income	5,256	
Other income	31,407	128,804
Finance costs	(182,454)	(147,909)
Equity in net income/(loss) of an unconsolidated affiliate	6,778	(517)
	<u>(300,192)</u>	<u>(666,514)</u>
Loss before income taxes		
Income taxes - Note 5	(100,192)	(21,797)
Minority interests shares of loss		74,625
	<u>(400,384)</u>	<u>(613,686)</u>
Net loss		
Other comprehensive income		
Foreign currency translation adjustments	\$ 54,614	\$ 51,518
	<u>(345,770)</u>	<u>(562,168)</u>
Comprehensive deficit		
Loss per share : basic and diluted - Note 6	\$ (400,384)	\$ (613,686)
Weighted average number of shares outstanding :		
basic and diluted - Note 6	<u>1</u>	<u>1</u>

See the accompanying notes to condensed consolidated financial statements



**Dollar Come Investments Limited**  
**Condensed Consolidated Balance Sheets**  
**As of March 31, 2007 and December 31, 2006**  
**(Stated in US Dollars)**

	<i>March 31,</i> <i>2007</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2006</i> <i>(Audited)</i>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 508,500	\$ 529,208
Restricted cash		448,996
Trade receivables (net of allowance of doubtful accounts of \$223,625 in 2007 and \$215,062 in 2006) - Note 7	1,512,674	1,312,495
Other receivables (net of allowance of doubtful accounts of \$400,505 in 2007 and \$245,978 in 2006) - Note 8	4,706,879	4,552,534
Advances to staff (net of allowance of doubtful accounts of \$174,817 in 2007 and \$179,276 in 2006) - Note 9	622,763	557,226
Prepayments - Note 10	1,468,770	933,016
Inventories - Note 11	6,192,299	5,657,558
Amount due from an unconsolidated affiliate	856,882	600,955
Deferred taxes	245,062	204,949
	<hr/>	<hr/>
Total current assets	16,113,829	14,796,937
Investment in an unconsolidated affiliate - Note 4	105,830	99,051
Property, plant and equipment, net - Note 12	27,494,663	27,826,755
Construction in progress	52,841	52,471
Land use right	2,811,635	2,798,602
Goodwill	393,833	3,293
Deferred taxes	37,966	163,512
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 47,010,597</b>	<b>\$ 45,740,621</b>

See the accompanying notes to condensed consolidated financial statements

**Dollar Come Investments Limited**  
**Condensed Consolidated Balance Sheets (Continued)**  
**As of March 31, 2007 and December 31, 2006**  
**(Stated in US Dollars)**

	<i>March 31,</i> <i>2007</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2006</i> <i>(Audited)</i>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Current liabilities		
Trade payables	\$ 8,164,868	\$ 7,701,105
Bills payable		448,700
Other payables and accrued expenses - Note 13	9,287,176	10,361,782
Sales receipt in advance	11,106,411	7,577,617
Dividend payable - Note 14	1,165,500	1,153,800
Income tax payable	37,989	26,311
Amount due to a director	1,103,589	118,128
Secured short-term bank loans - Note 15	11,522,290	12,779,773
	<u>42,387,823</u>	<u>40,167,216</u>
<b>TOTAL LIABILITIES</b>	<b>42,387,823</b>	<b>40,167,216</b>
<b>COMMITMENTS AND CONTINGENCIES - Note 16</b>		
<b>MINORITY INTERESTS</b>		<u>604,861</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock : par value \$1 per share		
Authorized 50,000 shares in 2007 and 2006;		
issued and outstanding 1 share in 2007 and 2006		
	1	1
Additional paid-in capital	7,750,603	7,750,603
Statutory reserves	79,446	79,446
Accumulated other comprehensive income	460,473	405,859
Retained losses	(3,667,749)	(3,267,365)
	<u>4,622,774</u>	<u>4,968,544</u>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>4,622,774</b>	<b>4,968,544</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 47,010,597</b>	<b>\$ 45,740,621</b>

See the accompanying notes to condensed consolidated financial statements

**Dollar Come Investments Limited**  
**Condensed Consolidated Statements of Cash Flows**  
**For the three months ended March 31, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

*Three months ended March 31*  
*(Unaudited)*

	<b>2007</b>	<b>2006</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (400,384)	\$ (613,686)
Adjustments to reconcile net loss to net cash flows provided by/(used in) operating activities:		
Depreciation	612,732	556,073
Amortization of land use right	15,287	13,550
Deferred taxes	88,825	21,797
Provision for doubtful debts	151,551	845
Equity in net (income)/loss of an unconsolidated affiliate	(6,778)	517
Minority interests		(74,625)
Changes in operating assets and liabilities:		
Trade receivables	(192,506)	(54,858)
Bills receivable		(124,300)
Other receivables	1,045,626	(1,485,153)
Advances to staff	6,216	90,542
Prepayments	(524,262)	(1,917,591)
Inventories	(475,528)	35,535
Trade payables	384,181	200,818
Bills payable	(451,500)	574,373
Other payables and accrued expenses	(2,523,451)	(1,203,694)
Sales receipt in advance	3,438,626	1,675,929
Amount due to a director	(26,511)	(306,745)
Amount due from an unconsolidated affiliate	(248,868)	
Income tax payable	11,367	(35,524)
	<u>904,623</u>	<u>(2,646,197)</u>
<b>Cash flows from investing activities</b>		
Payments to acquire property, plant and equipment	(678)	(1,293,065)
Payment to acquire land use right		(219,448)
Decrease/(increase) in restricted cash	451,798	(570,750)
	<u>451,120</u>	<u>(2,083,263)</u>

See the accompanying notes to condensed consolidated financial statements



**Dollar Come Investments Limited**  
**Consolidated Statements of Cash Flows (Cont d)**  
**For the three months ended March 31, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

	<i>Three months ended March 31</i> <i>(Unaudited)</i>	
	<u>2007</u>	<u>2006</u>
<b>Cash flows from financing activities</b>		
Proceeds from bank loans	\$ 5,089,050	\$ 4,723,400
Repayment of bank loans	(6,470,768)	
	<u>(1,381,718)</u>	<u>4,723,400</u>
Net cash flows (used in)/provided by financing activities		
	(1,381,718)	4,723,400
	<u>(1,381,718)</u>	<u>4,723,400</u>
Effect of foreign currency translation on cash and cash equivalents	5,267	512
	<u>5,267</u>	<u>512</u>
Net decrease in cash and cash equivalents	(20,708)	(5,548)
Cash and cash equivalents - beginning of period	529,208	83,057
	<u>529,208</u>	<u>83,057</u>
Cash and cash equivalents - end of period	\$ 508,500	\$ 77,509
	<u>\$ 508,500</u>	<u>\$ 77,509</u>
<b>Supplemental disclosures for cash flow information:</b>		
Cash paid for:		
Interest	\$ 162,976	\$ 146,100
Income taxes		
	<u>\$ 162,976</u>	<u>\$ 146,100</u>

See the accompanying notes to condensed consolidated financial statements

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three months ended March 31, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**1. Corporate information**

Dollar Come Investments Limited ( Dollar Come or the Company ) was incorporated on February 12, 2004 in the British Virgin Islands (the BVI ) with authorized common stock of \$50,000 divided into 50,000 ordinary shares of \$1 each. On July 2, 2004, 1 ordinary share of \$1 each was issued at par for cash to Madam Tan Lin ( Madam Tan ) who is also one of the directors of the Company. During the reporting periods, it acted as an investment holding company only and did not have any other activities. The Company intends to go public in the US through a reverse acquisition of a US publicly traded company.

As of March 31, 2007, the Company has two subsidiaries and an unconsolidated affiliate with details as below :-

Company name	Place/date of incorporation or establishment	The Company's effective ownership interest	Common stock/ registered capital	Principal activities
Fuxin Hengrui Technology Co., Ltd. ( Fuxin Hengrui )	The People's Republic of China ( PRC )/ September 18, 2002	100% directly held by the Company	Registered capital of \$5,030,000 fully paid up	Manufacturing and distribution of float glasses
Fuxin Xianheng Float-Glass Co., Ltd. ( Xianheng )	PRC/ April 1, 2004	25% directly held by the Company and 75% indirectly held through Fuxin Hengrui	Registered capital of \$60,500 fully paid up	Not yet commenced business
Fuxin Hengrui Tianyuan New Energy Sources Co., Ltd. ( Tianyuan )	PRC/ May 17, 2006	35% indirectly held through Fuxin Hengrui	Registered capital of \$1,251,000 and \$375,000 fully paid up	Manufacturing of coal water mixture to assess energy alternative for industrial boiler

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three months ended March 31, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**1. Corporate information (Cont d)**

Fuxin Hengrui was incorporated in the PRC on September 18, 2002 with registered capital of \$5,030,000 (RMB41,600,000, which are not divided into shares) and engaged in manufacture and distribution of float glasses. On January 1, 2007, Dollar Come further acquired 10.85% equity interest of Fuxin Hengrui from Advance Sun Group Limited at a total consideration of \$995,400 and thereafter Fuxin Hengrui become a wholly-owned subsidiary of Dollar Come.

Xianheng was incorporated in the PRC on April 1, 2004 with registered capital of \$60,500 (RMB500,000, which are not divided into shares) of which 60% equity interest was held by Madam Tan and the remaining 40% equity interest was held by a PRC Company in which Madam Tan Lin was a substantial stockholder. On October 17, 2005, Dollar Come and another PRC Company acquired 25% and 35% equity interest of Xianheng from Madam Tan respectively. On September 21, 2006, Fuxin Hengrui acquired 75% equity interest of Xianheng from two independent legal entities. Following the acquisition of 10.85% equity interest of Fuxin Hengrui as mentioned in the previous paragraph, the effective equity interest of Xianheng held by Dollar Come was increased from 91.86% to 100%. During the reporting periods, Xianheng did not have any business activities.

On May 17, 2006, Fuxin Hengrui together with one of the directors of Fuxin Hengrui established Tianyuan in the PRC with registered capital of \$1,251,000 (RMB10 million, which are not dividend into shares). Pursuant to a special resolution passed on October 12, 2007, the registered capital of Tianyuan was reduced from \$1,251,000 to \$375,000 and the application was still in progress. On May 16, 2006, according to the payment schedule, Fuxin Hengrui contributed of \$131,355 to its registered capital representing 35% equity interest thereon. Tianyuan is principally engaged in manufacturing of coal water mixture to assess energy alternative for industrial boiler. More details and accounting treatment on investment in Tianyuan are set out in note 4.

We accounted for the acquisition of both Fuxin Hengrui and Xianheng using the purchase accounting method.

**2. Description of business**

The Company is a holding company whose primary business operations are conducted through its subsidiaries located in the Liuling Province of the PRC. Through its operating subsidiaries, the Company manufactures and distributes of float glasses.

The raw materials used in production are mainly divided into four groups, namely soda ash, heavy oils, silica sand and dolomite, which are primary sourced from suppliers located in the PRC. The production facilities of the Company are located in Liuling Province of the PRC.

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three months ended March 31, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**3. Basis of presentation**

The accompanying unaudited condensed consolidated financial statements of the Company and its subsidiary have been prepared in accordance with generally accepted accounting principles in the United States of America for interim consolidated financial information. Accordingly, they do not include all the information and notes necessary for comprehensive consolidated financial statements.

In the opinion of the management of the Company, all adjustments, which are of a normal recurring nature, necessary for a fair statement of the results for the three-month periods have been made. Results for the interim periods presented are not necessarily indicative of the results that might be expected for the entire fiscal year. These condensed financial statements should be read in conjunction with the consolidated financial statements and the notes for the period from February 12, 2004 to December 31, 2004 and each of the two years in the period ended December 31, 2006.

**4. Summary of significant accounting policies**

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. Pursuant to the provisions of SFAS No. 142 *Goodwill and Other Intangible Assets*, goodwill is not amortized and is subjected to an annual impairment test which occurs in the fourth quarter of each fiscal year.

Goodwill will be written down only when and if impairment is identified and measured, based on future events and conditions.

Investment in an unconsolidated affiliate

The Company accounts for the 35% investment in Tianyuan (an investment in which the Company exercises significant influence but does not control) using the equity method, under which the share of Tianyuan's net loss is recognized in the period in which it is incurred by Tianyuan. As of March 31, 2007, the investment in an unconsolidated affiliate of \$105,830 (RMB845,345) represents attributable share of the underlying net assets of Tianyuan.

Use of estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. These accounts and estimates include, but are not limited to, the valuation of accounts receivable, inventories, deferred income taxes, provision for warranty and the estimation on useful lives of property, plant and equipment. Actual results could differ from those estimates.

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three months ended March 31, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**4. Summary of significant accounting policies (Cont d)**

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, trade receivables and other receivables. As of March 31, 2007 and December 31, 2006, substantially all of the Company's cash and cash equivalents and restricted cash were held by major financial institutions located in the PRC, which management believes are of high credit quality. With respect to other receivables and trade receivables, the Company extends credit based on an evaluation of the customer's financial condition. The Company generally does not require collateral for trade receivables and other receivables which maintains an allowance for doubtful accounts of trade receivables and other receivables.

Cash and cash equivalents

Cash and cash equivalents include all cash, deposits in banks and other highly liquid investments with initial maturities of three months or less to be cash equivalents. As of March 31, 2007 and December 31, 2006, almost all the cash and cash equivalents were denominated in Renminbi ( RMB ) and were placed with banks in the PRC. They are not freely convertible into foreign currencies and the remittance of these funds out of the PRC is subject to exchange control restrictions imposed by the PRC government. The remaining insignificant balance of cash and cash equivalents were denominated in US dollars.

Restricted Cash

Deposits in banks pledged as securities for bills payable that are restricted in use are classified as restricted cash under current assets.

Allowance of doubtful accounts

The Company establishes an allowance for doubtful accounts based on management's assessment of the collectibility of trade receivables and other receivables. A considerable amount of judgment is required in assessing the amount of the allowance, the Company considers the historical level of credit losses and applies percentages to aged receivable categories. The Company makes judgments about the creditworthiness of each customer based on ongoing credit evaluations, and monitors current economic trends that might impact the level of credit losses in the future. If the financial condition of the customers were to deteriorate, resulting in their inability to make payments, a larger allowance may be required.

Based on the above assessment, during the reporting years, the management establishes the general provisioning policy to make allowance equivalent to 10% of gross amount of trade receivables and other receivables due over 6-12 months, 25% gross amount of trade receivables and other receivables due over 1-2 years and 50% of gross amount of trade receivables and other receivables due over 2-3 years and 100% of gross amount of trade receivables and other receivables due over 3 years. Additional specific provision is made against trade receivables aged less than 6 months to the extent which they are considered to be doubtful.

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial**  
**Statements For the three months ended March 31, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**4. Summary of significant accounting policies (Cont d)**

Allowance of doubtful accounts (cont d)

Bad debts are written off when identified. The Company extends unsecured credit to customers ranging from three to six months in the normal course of business. The Company does not accrue interest on trade receivables.

Historically, losses from uncollectible accounts have not significantly deviated from the general allowance estimated by the management and no significant additional bad debts have been written off directly to the profit and loss. This general provisioning policy has not changed in the past since establishment and the management considers that the aforementioned general provisioning policy is adequate and not too excessive and does not expect to change this established policy in the near future.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined on a weighted average basis and includes all expenditures incurred in bringing the goods to the point of sale and putting them in a saleable condition. In assessing the ultimate realization of inventories, the management makes judgments as to future demand requirements compared to current or committed inventory levels. Our reserve requirements generally increase as our projected demand requirements; decrease due to market conditions, product life cycle changes. The Company estimates the demand requirements based on market conditions, forecasts prepared by its customers, sales contracts and orders in hand.

In addition, the Company estimates net realizable value based on intended use, current market value and inventory ageing analyses. The Company writes down the inventories for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventories and the estimated market value based upon assumptions about future demand and market conditions.

Based on the above assessment, the Company establishes a general provision to make a 50% provision for inventories aged over 1 year. As of March 31, 2007 and December 31, 2006, no general provision for inventories were provided.

Historically, the actual net realizable value is close to the management estimation.

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial**  
**Statements For the three months ended March 31, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**4. Summary of significant accounting policies (Cont d)**

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

Depreciation is provided on straight-line basis over their estimated useful lives. The principal depreciation rates are as follows :-

	<u>Annual rate</u>	<u>Residual value</u>
Buildings	1.9%	5%
Plant and machinery	9.5%	5%
Motor vehicles	11.875%	5%
Office equipment	19%	5%
Tools	9.5%	5%
Leasehold improvements	12.5%	Nil

Construction in progress mainly represents expenditures in respect of the Company's warehouses and factories under construction. All director costs relating to the acquisition or construction of the Company's warehouses and factories are capitalized as construction in progress. No depreciation is provided in respect of construction in progress.

Maintenance or repairs are charged to expense as incurred. Significant improvements and renewals that extend the useful life of the asset are capitalized. Upon sale or disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount less proceeds from disposal is charged or credited to income.

Land use right

Land use right is stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the terms of the lease of 50 years obtained from the relevant PRC land authority.

Impairment of long-lived assets

Long-lived assets are tested for impairment in accordance with SFAS No. 144 and Accounting Principles Board ( APB ) Opinion 18, Equity Method of Accounting for Investments in Common Stock, respectively. The Company periodically evaluates potential impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Company recognizes impairment of long-lived assets and investment in an affiliate in the event that the net book values of such assets exceed the future undiscounted cashflows attributable to such assets. During the reporting periods, the Company has no identified any indicators that would require testing for impairment.

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three months ended March 31, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**4. Summary of significant accounting policies (Cont d)**

Revenue recognition

Revenue from sales of the Company's products is recognized when the significant risks and rewards of ownership have been transferred to the buyer, the sales price is fixed or determinable and collection is reasonably assured.

Basic and diluted earnings/(loss) per share

The Company reports basic earnings per share in accordance with SFAS No. 128, Earnings Per Share. Basic earnings/(loss) per share is computed using the weighted average number of shares outstanding during the periods presented. The weighted average number of shares of the Company represents the common stock outstanding during the reporting periods.

Recently issued accounting pronouncements

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with few exceptions. SFAS 159 also establishes presentation and disclosure requirements to facilitate comparisons between companies that choose different measurement attributes for similar assets and liabilities. The requirements of SFAS 159 are effective for our fiscal year beginning January 1, 2008. We are in the process of evaluating this standard and therefore have not yet determined the impact that SFAS 159 will have on our financial statements upon adoption.

**5. Income taxes**

BVI

The Company was incorporated in the BVI and, under the current laws of the BVI, not subject to income taxes.

PRC

Enterprises income tax (EIT) to the subsidiaries of the Company in the PRC is charged at 33%, of which 30% is for national tax and 3% for local tax, of the assessable profits. As approved by the relevant tax authority in the PRC, Fuxin Hengrui was entitled to two years exemption, from the first profit making calendar year of operations after offset of accumulated taxable losses, followed by 50% tax reduction for the immediate next three calendar years (tax holiday). Fuxin Hengrui has elected not to commence the entitlement of tax holiday in the first profit making fiscal financial year of 2003 and thus had current tax payable in the prior period. The tax holiday of Fuxin Hengrui commenced in the fiscal year 2004. Accordingly, Fuxin Hengrui will be exempted from EIT for 2004 and 2005 and thereafter entitled to a 50% reduction on EIT tax rate at 16.5% for 2006, 2007 and 2008.

On March 16, 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the New CIT Law). The new CIT Law reduces the corporate income tax rate from 33% to 25% with effect from January 1, 2008. The tax rate reduction will also impact the carrying value of deferred tax assets as a result of new tax rate.



**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three months ended March 31, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**6. Loss per share**

During the reporting periods, the Company had no dilutive instruments. Accordingly, the basic and diluted loss per share are the same.

**7. Trade receivables**

	<i>March 31,</i> <i>2007</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2006</i> <i>(Audited)</i>
Accounts receivable	\$ 1,736,299	\$ 1,527,557
Allowance of doubtful accounts	(223,625)	(215,062)
	<hr/>	<hr/>
	\$ 1,512,674	\$ 1,312,495
	<hr/>	<hr/>

The Company incurred \$6,358 and \$845 of doubtful debt expense for the three months ended March 31, 2007 and 2006 respectively.

**8. Other receivables**

	<i>March 31,</i> <i>2007</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2006</i> <i>(Audited)</i>
Advances to third parties - Note 8a	\$ 5,025,903	\$ 4,679,857
Value added tax and other tax recoverable	76,780	117,503
Other receivables	4,701	1,152
	<hr/>	<hr/>
	5,107,384	4,798,512
Allowance of doubtful debts	(400,505)	(245,978)
	<hr/>	<hr/>
	\$ 4,706,879	\$ 4,552,534
	<hr/>	<hr/>

Note :-

- The amounts are interest-free, unsecured and repayable on demand.
- The Company incurred \$151,446 and \$Nil of doubtful debt expense for the three months ended March 31, 2007 and 2006 respectively.

**9. Advances to staff**

The amounts are interest-free, unsecured and repayable on demand. The Company incurred \$6,253 and \$Nil of doubtful debt recovery for the three months ended March 31, 2007 and 2006 respectively.



**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three months ended March 31, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**10. Prepayments**

	<i>March 31,</i> <i>2007</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2006</i> <i>(Audited)</i>
Prepayment for raw materials	\$ 1,388,147	\$ 787,931
Prepayment for factory construction	6,387	30,655
Prepayment for factory tools	29,940	17,195
Prepayment for utilities expenses	25,887	97,235
Prepayment for other expenses	18,409	
	<u>\$ 1,468,770</u>	<u>\$ 933,016</u>

**11. Inventories**

	<i>March 31,</i> <i>2007</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2006</i> <i>(Audited)</i>
Raw materials	\$ 1,779,659	\$ 1,472,033
Finished goods	4,376,443	4,149,691
Consumables	36,197	35,834
	<u>\$ 6,192,299</u>	<u>\$ 5,657,558</u>

No (recovery of)/provision for obsolete inventories were (credited)/charged to operations during the period.

**12. Property, plant and equipment**

	<i>March 31,</i> <i>2007</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2006</i> <i>(Audited)</i>
Costs:		
Buildings	\$ 13,669,184	\$ 13,531,965
Plant and machinery	17,339,143	17,165,082
Office equipment	98,068	96,250
Tools	165,366	163,706
Leasehold improvements	3,420,306	3,385,972
Motor vehicles	419,762	412,361
	<u>35,111,829</u>	<u>34,755,336</u>
Accumulated depreciation	(7,617,166)	(6,928,581)

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	<i>March 31, 2007 (Unaudited)</i>	<i>December 31, 2006 (Audited)</i>
Net	\$ 27,494,663	\$ 27,826,755

Pledged property, plant and equipment

As of March 31, 2007, certain property, plant and equipment with aggregate net book value of \$3,442,069 was pledged to bank to secure general banking facilities (Note 15a).

- 14 -

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**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three months ended March 31, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**13. Other payables and accrued expenses**

	<i>March 31,</i> <i>2007</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2006</i> <i>(Audited)</i>
Accrued audit fee	\$ 181,300	\$ 179,480
Payable for acquisition of property, plant and equipment	556,386	753,183
Accruals for factory construction	1,663,795	1,649,093
Loans from related parties - Note 13a	99,126	71,368
Loans from third parties - Note 13b	6,005,561	6,957,053
Other accrued expenses	461,762	458,706
Other tax payable	171,194	134,341
Staff welfare payable - Note 13c	118,704	146,511
Other payables	29,348	12,047
	<u>\$ 9,287,176</u>	<u>\$ 10,361,782</u>

Note :-

- a. The amounts represent loans from related companies in which Madam Tan is a shareholder and are interest-free, unsecured and repayable on demand.
- b. The amounts are interest-free, unsecured and repayable on demand.
- c. Staff welfare payable represents accrued staff medical, industry injury claims, labor and unemployment insurances. All of which are third parties insurance and the insurance premiums are based on certain percentage of salaries. The obligations of the Company are limited to those premiums contributed by the Company.

**14. Dividend payable**

The amount represents the dividend declared by the directors of Fuxin Hengrui and payable to the ex-stockholders before the Company acquired 89.15% equity interest of Fuxin Hengrui.

**15. Secured short-term bank loans**

	<i>March 31,</i> <i>2007</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2006</i> <i>(Audited)</i>
Bank loans repayable as follows:		
Within 1 year	\$ 11,522,290	\$ 12,779,773
	<u>\$ 11,522,290</u>	<u>\$ 12,779,773</u>

As of March 31, 2007, the Company's banking facilities were as follows:

Facilities granted	Granted	Amount utilized	Unused
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Secured bank loans	\$ 14,478,100	\$ 11,522,290	\$ 2,955,810
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- 15 -

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**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three months ended March 31, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**15. Secured short-term bank loans (Cont d)**

The above banking loans were secured by the following :-

- (a) Property, plant and equipment with carrying value of \$3,442,069 (Note 12);
- (b) Land use right with carrying value of \$2,811,635;
- (c) Guarantee executed by Mr. Song Lihui who is a director of Fuxin Hengrui; and
- (d) All the bank loans are denominated in RMB and carry interest rates ranging from 4.8675% to 6.045% per annum with maturity dates within 1 year.

During the reporting periods, there was no covenant requirement under the banking facilities granted to the Company.

**16. Commitments and contingencies**

a. Capital commitment

As of March 31, 2007, the Company had no capital commitments in respect of the acquisition of property, plant and equipment which contracted for but not provided in the financial statements.

b. Operating lease arrangement

As of March 31, 2007, the Company had a non-cancelable operating lease for its warehouse. The lease will expire in 2015 and the expected payments are as follows:-

Within one year	\$	387,000
Two to five years		1,548,000
After five years		1,322,250
		<hr/>
	\$	3,257,250
		<hr/>

The rental expenses relating to the operating leases were \$96,750 and \$93,225 for the three months ended March 31, 2007 and 2006 respectively.

c. Environmental

The Company's operations are subject to the laws and regulations in the PRC relating to the generation, storage, handling, transportation and discharge of certain materials, substances and waste into the environment, and various other health and safety matters. Governmental authorities have the power to enforce compliance with their regulations, and violators may be subject to fines, injunctions or both. The Company must devote substantial financial resources to ensure compliance, and the management believes that it is in substantial compliance with all the applicable laws and regulations.

The Company has not incurred any significant expenditure for environmental remediation, is currently not involved in any environmental remediation and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position, operating results or cash flows of the Company.

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No expenditure for such was incurred for the three months ended March 31, 2007 and 2006.

- 16 -

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**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three months ended March 31, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**17. State pension contribution plan**

The Company has a defined contribution plan for all qualified employees in the PRC. The employer and its employees are each required to make contributions to the plan at the rates specified in the plan. The only obligation of the Company with respect to retirement scheme is to make the required contributions under the plan. No forfeited contribution is available to reduce the contribution payable in the future years. The defined contribution plan contributions were charged to the condensed consolidated statements of operations. The Company contributed \$18,496 and \$21,278 for the three months ended March 31, 2007 and 2006 respectively.

**18. Segment information**

The nature of the products, their production processes, the type of their customers and their distribution methods are substantially similar, they are considered as a single reportable segment under FAS 131, Disclosure about Segments of Enterprise and Related Information .

All of the Company's long-lived assets are located in the PRC. Geographic information about the revenues, which are classified based on the customers, is set out as follows:

	<i>Three months ended March 31 (Unaudited)</i>	
	<i>2007</i>	<i>2006</i>
PRC	\$ 8,375,703	\$ 5,890,010
Others	549,190	427,655
<b>Total</b>	<b>\$ 8,924,893</b>	<b>\$ 6,317,665</b>

**Dollar Come Investments Limited**

Condensed Consolidated Financial Statements  
For the three and six months ended June 30, 2007  
(Stated in US dollars)

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**Dollar Come Investments Limited**  
**Condensed Consolidated Financial Statements**

**Three and six months ended June 30, 2007**

Index to Condensed Consolidated Financial Statements

	Pages
<u>Condensed Consolidated Statements of Income and Other Comprehensive Income</u>	1
<u>Condensed Consolidated Balance Sheets</u>	2 - 3
<u>Condensed Consolidated Statements of Cash Flows</u>	4 - 5
<u>Notes to Condensed Consolidated Financial Statements</u>	6 - 16

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**Dollar Come Investments Limited**  
**Condensed Consolidated Statements of Income and Other Comprehensive Income**  
**For the three and six months ended June 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30</i>		<i>June 30</i>	
	<i>(unaudited)</i>		<i>(unaudited)</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Revenue				
Sales revenues - Note 18	\$ 17,475,040	\$ 5,488,257	\$ 26,399,933	\$ 11,805,922
Cost of sales	(12,405,815)	(6,273,091)	(20,799,529)	(12,933,182)
Gross profit/(loss)	5,069,225	(784,834)	5,600,404	(1,127,260)
Operating expenses				
Administrative expenses	793,266	381,001	1,224,084	627,631
Selling expenses	272,210	168,650	533,751	226,486
Total operating expenses	1,065,476	549,651	1,757,835	854,117
Income/(loss) from operations	4,003,749	(1,334,485)	3,842,569	(1,981,377)
Interest income	52		5,308	
Other income	23,124	43,720	54,531	172,524
Finance costs	(213,414)	(253,175)	(395,868)	(401,084)
Equity in net (loss)/income of an unconsolidated affiliate	(6,054)	(260)	724	(777)
Income/(loss) before income taxes	3,807,457	(1,544,200)	3,507,264	(2,210,714)
Income taxes - Note 5	(532,439)	120,822	(632,631)	99,025
Minority interests shares of loss		154,409		229,034
Net income/(loss)	\$ 3,275,018	\$ (1,268,969)	\$ 2,874,633	\$ (1,882,655)
Other comprehensive income				
Foreign currency translation adjustments	\$ 127,063	\$ 20,432	\$ 181,677	\$ 71,950
Comprehensive income/(deficit)	\$ 3,402,081	\$ (1,248,537)	\$ 3,056,310	\$ (1,810,705)
Earnings/(loss) per share :				
basic and diluted - Note 6	\$ 3,275,018	\$ (1,268,969)	\$ 2,874,633	\$ (1,882,655)
Weighted average number of shares outstanding : basic and diluted - Note 6	1	1	1	1

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See the accompanying notes to condensed consolidated financial statements

**Dollar Come Investments Limited**  
**Condensed Consolidated Balance Sheets**  
**As of June 30, 2007 and December 31, 2006**  
**(Stated in US Dollars)**

	<i>June 30, 2007</i>	<i>December 31, 2006</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 87,941	\$ 529,208
Restricted cash	855,056	448,996
Trade receivables (net of allowance of doubtful accounts of \$29,299 in 2007 and \$215,062 in 2006) - Note 7	4,338,285	1,312,495
Other receivables (net of allowance of doubtful accounts of \$231,567 in 2007 and \$245,978 in 2006) - Note 8	3,521,843	4,552,534
Advances to staff (net of allowance of doubtful accounts of \$180,420 in 2007 and \$179,276 in 2006) - Note 9	639,380	557,226
Prepayment - Note 10	3,535,570	933,016
Inventories - Note 11	2,695,877	5,657,558
Amount due from an unconsolidated affiliate	1,014,644	600,955
Deferred taxes	156,346	204,949
	<hr/>	<hr/>
Total current assets	16,844,942	14,796,937
Investment in an unconsolidated affiliate - Note 4	99,775	99,051
Property, plant and equipment, net - Note 12	27,297,735	27,826,755
Construction in progress	79,595	52,471
Land use right	2,839,475	2,798,602
Goodwill	393,832	3,293
Deferred taxes	120,890	163,512
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 47,676,244</b>	<b>\$ 45,740,621</b>

See the accompanying notes to condensed consolidated financial statements

**Dollar Come Investments Limited**  
**Condensed Consolidated Balance Sheets (Cont d)**  
**As of June 30, 2007 and December 31, 2006**  
**(Stated in US Dollars)**

	<i>June 30</i> <i>2007</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2006</i> <i>(Audited)</i>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>LIABILITIES</b>		
Current liabilities		
Trade payables	\$ 10,138,191	\$ 7,701,105
Bills payable	1,052,000	448,700
Other payables and accrued expenses - Note 13	11,888,481	10,361,782
Sales receipt in advance	2,540,867	7,577,617
Dividend payable - Note 14	604,900	1,153,800
Income tax payable	567,692	26,311
Amount due to a director	1,103,262	118,128
Secured short-term bank loans - Note 15	11,755,997	12,779,773
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	39,651,390	40,167,216
	<hr/>	<hr/>
<b>COMMITMENTS AND CONTINGENCIES - Note 16</b>		
<b>MINORITY INTERESTS</b>		604,861
	<hr/>	<hr/>
<b>STOCKHOLDERS EQUITY</b>		
Common stock : par value \$1 per share		
Authorized 50,000 shares in 2007 and 2006;		
issued and outstanding 1 share in 2007 and 2006		
	1	1
Additional paid-in capital	7,750,603	7,750,603
Statutory reserves	79,446	79,446
Accumulated other comprehensive income	587,536	405,859
Retained losses	(392,732)	(3,267,365)
	<hr/>	<hr/>
<b>TOTAL STOCKHOLDERS EQUITY</b>	8,024,854	4,968,544
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	\$ 47,676,244	\$ 45,740,621
	<hr/>	<hr/>

See the accompanying notes to condensed consolidated financial statements

**Dollar Come Investments Limited**  
**Condensed Consolidated Statements of Cash Flows**  
**For the six months ended June 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

	<i>Six months ended June 30</i>	
	<i>(Unaudited)</i>	
	<u>2007</u>	<u>2006</u>
<b>Cash flows from operating activities</b>		
Net income/(loss)	\$ 2,874,633	\$ (1,882,655)
Adjustments to reconcile net income/(loss) to net cash flows provided by/(used in) operating activities:		
Depreciation	1,225,406	1,679,817
Amortization of land use right	30,740	28,349
Deferred taxes	99,329	(99,025)
(Recovery of)/provision for doubtful debts	(212,563)	22,997
Equity in net (income)/loss of an unconsolidated affiliate	(724)	777
Minority interests		(229,034)
Changes in operating assets and liabilities:		
Trade receivables	(2,762,369)	(4,438,409)
Other receivables	1,108,895	1,595,735
Advances to staff	(3,517)	566,540
Prepayments	(2,543,243)	(1,399,472)
Inventories	3,064,779	(1,955,607)
Trade payables	2,208,206	2,094,271
Bills payable	583,650	575,759
Other payables and accrued expenses	1,242,730	(2,255,675)
Sales receipt in advance	(5,160,193)	4,927,844
Amount due to a director	(28,387)	(448,586)
Amount due from an unconsolidated affiliate	(392,768)	(362,354)
Income tax payable	533,302	(35,610)
	<u>1,867,906</u>	<u>(1,614,338)</u>
<b>Net cash flows provided by/(used in) operating activities</b>		
<b>Cash flows from investing activities</b>		
Payments to acquire property, plant and equipment	(48,243)	(1,410,718)
Payments to acquire land use right		(219,977)
Payment to acquire an unconsolidated affiliate		(131,355)
Proceeds from disposal of property, plant and equipment	25,681	
Increase in restricted cash	(389,103)	(572,224)
	<u>(411,665)</u>	<u>(2,334,274)</u>
<b>Net cash flows used in investing activities</b>		

See the accompanying notes to condensed consolidated financial statements



**Dollar Come Investments Limited**  
**Consolidated Statements of Cash Flows (Cont'd)**  
**For the six months ended June 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

*Six months ended June 30*  
*(Unaudited)*

	<b>2007</b>	<b>2006</b>
Cash flows from financing activities		
Dividend paid to Fuxin Hengrui's ex-stockholders	\$ (570,680)	\$
Proceeds from bank loans	6,021,971	8,472,800
Repayment of bank loans	(7,356,194)	(3,862,600)
Net cash flows (used in)/provided by financing activities	(1,904,903)	4,610,200
Effect of foreign currency translation on cash and cash equivalents	7,395	4,517
Net (decrease)/increase in cash and cash equivalents	(441,267)	666,105
Cash and cash equivalents - beginning of period	529,208	83,057
Cash and cash equivalents - end of period	\$ 87,941	\$ 749,162
Supplemental disclosures for cash flow information:		
Cash paid for:		
Interest	\$ 326,992	\$ 391,875
Income taxes	\$	\$ 35,896

See the accompanying notes to condensed consolidated financial statements

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three and six months ended June 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**1. Corporate information**

Dollar Come Investments Limited ( Dollar Come or the Company ) was incorporated on February 12, 2004 in the British Virgin Islands (the BVI ) with authorized common stock of \$50,000 divided into 50,000 ordinary shares of \$1 each. On July 2, 2004, 1 ordinary share of \$1 each was issued at par for cash to Madam Tan Lin ( Madam Tan ) who is also one of the directors of the Company. During the reporting periods, it acted as an investment holding company only and did not have any other activities. The Company intends to go public in the US through a reverse acquisition of a US publicly traded company.

As of June 30, 2007, the Company has two subsidiaries and an unconsolidated affiliate with details as below :-

Company name	Place/date of incorporation or establishment	The Company's effective ownership interest	Common stock/ registered capital	Principal activities
Fuxin Hengrui Technology Co., Ltd. ( Fuxin Hengrui )	The People's Republic of China ( PRC )/ September 18, 2002	89.15% directly held by the Company	Registered capital of \$5,030,000 fully paid up	Manufacturing and distribution of float glasses
Fuxin Xianheng Float-Glass Co., Ltd. ( Xianheng )	PRC/ April 1, 2004	25% directly held by the Company and 66.86% indirectly held through Fuxin Hengrui	Registered capital of \$60,500 fully paid up	Not yet commenced business
Fuxin Hengrui Tianyuan New Energy Sources Co., Ltd. ( Tianyuan )	PRC/ May 17, 2006	32.2% indirectly held through Fuxin Hengrui	Registered capital of \$1,251,000 and \$375,000 fully paid up	Manufacturing of coal water mixture to assess energy alternative for industrial boiler

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three and six months ended June 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**1. Corporate information (Cont d)**

Fuxin Hengrui was incorporated in the PRC on September 18, 2002 with registered capital of \$5,030,000 (RMB41,600,000, which are not divided into shares) and engaged in manufacture and distribution of float glasses.

Xianheng was incorporated in the PRC on April 1, 2004 with registered capital of \$60,500 (RMB500,000, which are not divided into shares). During the reporting periods, Xianheng did not have any business activities.

On May 17, 2006, Fuxin Hengrui together with one of the directors of Fuxin Hengrui established Tianyuan in the PRC with registered capital of \$1,251,000 (RMB10 million, which are not dividend into shares). Pursuant to a special resolution passed on October 12, 2007, the registered capital of Tianyuan was reduced from \$1,251,000 to \$375,000 and the application was still in progress. On May 16, 2006, according to the payment schedule, Fuxin Hengrui contributed of \$131,355 to its registered capital representing 35% equity interest thereon. Tianyuan is principally engaged in manufacturing of coal water mixture to assess energy alternative for industrial boiler. More details and accounting treatment on investment in Tianyuan are set out in note 4.

We accounted for the acquisition of both Fuxin Hengrui and Xianheng using the purchase accounting method.

**2. Description of business**

The Company is a holding company whose primary business operations are conducted through its subsidiaries located in the Liuling Province of the PRC. Through its operating subsidiaries, the Company manufactures and distributes of float glasses.

The raw materials used in production are mainly divided into four groups, namely soda ash, heavy oils, silica sand and dolomite, which are primary sourced from suppliers located in the PRC. The production facilities of the Company are located in Liuling Province of the PRC.

**3. Basis of presentation**

The accompanying unaudited condensed consolidated financial statements of the Company and its subsidiary have been prepared in accordance with generally accepted accounting principles in the United States of America for interim consolidated financial information. Accordingly, they do not include all the information and notes necessary for comprehensive consolidated financial statements.

In the opinion of the management of the Company, all adjustments, which are of a normal recurring nature, necessary for a fair statement of the results for the three-month periods have been made. Results for the interim periods presented are not necessarily indicative of the results that might be expected for the entire fiscal year. These condensed financial statements should be read in conjunction with the consolidated financial statements and the notes for the period from February 12, 2004 to December 31, 2004 and each of the two years in the period ended December 31, 2006.

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three and six months ended June 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**4. Summary of significant accounting policies**

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. Pursuant to the provisions of SFAS No. 142 *Goodwill and Other Intangible Assets*, goodwill is not amortized and is subjected to an annual impairment test which occurs in the fourth quarter of each fiscal year.

Goodwill will be written down only when and if impairment is identified and measured, based on future events and conditions.

Investment in an unconsolidated affiliate

The Company accounts for the 35% investment in Tianyuan (an investment in which the Company exercises significant influence but does not control) using the equity method, under which the share of Tianyuan's net loss is recognized in the period in which it is incurred by Tianyuan. As of June 30, 2007, the investment in an unconsolidated affiliate of \$99,775 (RMB798,383) represents attributable share of the underlying net assets of Tianyuan.

Use of estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. These accounts and estimates include, but are not limited to, the valuation of accounts receivable, inventories, deferred income taxes, provision for warranty and the estimation on useful lives of property, plant and equipment. Actual results could differ from those estimates.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, trade receivables and other receivables. As of June 30, 2007 and December 31, 2006, substantially all of the Company's cash and cash equivalents and restricted cash were held by major financial institutions located in the PRC, which management believes are of high credit quality. With respect to other receivables and trade receivables, the Company extends credit based on an evaluation of the customer's financial condition. The Company generally does not require collateral for trade receivables and other receivables and maintains an allowance for doubtful accounts of trade receivables and other receivables.

Cash and cash equivalents

Cash and cash equivalents include all cash, deposits in banks and other highly liquid investments with initial maturities of three months or less to be cash equivalents. As of June 30, 2007, almost all the cash and cash equivalents were denominated in Renminbi ( RMB ) and were placed with banks in the PRC. They are not freely convertible into foreign currencies and the remittance of these funds out of the PRC is subject to exchange control restrictions imposed by the PRC government. The remaining insignificant balance of cash and cash equivalents were denominated in US dollars.

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three and six months ended June 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**4. Summary of significant accounting policies (Cont d)**

Restricted Cash

Deposits in banks pledged as securities for bills payable that are restricted in use are classified as restricted cash under current assets.

Allowance of doubtful accounts

The Company establishes an allowance for doubtful accounts based on management's assessment of the collectibility of trade receivables and other receivables. A considerable amount of judgment is required in assessing the amount of the allowance, the Company considers the historical level of credit losses and applies percentages to aged receivable categories. The Company makes judgments about the creditworthiness of each customer based on ongoing credit evaluations, and monitors current economic trends that might impact the level of credit losses in the future. If the financial condition of the customers were to deteriorate, resulting in their inability to make payments, a larger allowance may be required.

Based on the above assessment, during the reporting years, the management establishes the general provisioning policy to make allowance equivalent to 10% of gross amount of trade receivables and other receivables due over 6-12 months, 25% gross amount of trade receivables and other receivables due over 1-2 years and 50% of gross amount of trade receivables and other receivables due over 2-3 years and 100% of gross amount of trade receivables and other receivables due over 3 years. Additional specific provision is made against trade receivables aged less than 6 months to the extent which they are considered to be doubtful.

Bad debts are written off when identified. The Company extends unsecured credit to customers ranging from three to six months in the normal course of business. The Company does not accrue interest on trade receivables.

Historically, losses from uncollectible accounts have not significantly deviated from the general allowance estimated by the management and no significant additional bad debts have been written off directly to the profit and loss. This general provisioning policy has not changed in the past since establishment and the management considers that the aforementioned general provisioning policy is adequate and not too excessive and does not expect to change this established policy in the near future.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined on a weighted average basis and includes all expenditures incurred in bringing the goods to the point of sale and putting them in a saleable condition. In assessing the ultimate realization of inventories, the management makes judgments as to future demand requirements compared to current or committed inventory levels. Our reserve requirements generally increase as our projected demand requirements; decrease due to market conditions, product life cycle changes. The Company estimates the demand requirements based on market conditions, forecasts prepared by its customers, sales contracts and orders in hand.

In addition, the Company estimates net realizable value based on intended use, current market value and inventory ageing analyses. The Company writes down the inventories for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventories and the estimated market value based upon assumptions about future demand and market conditions.

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three and six months ended June 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**4. Summary of significant accounting policies (Cont d)**

Inventories (cont d)

Based on the above assessment, the Company establishes a general provision to make a 50% provision for inventories aged over 1 year. As of June 30, 2007 and December 31, 2006, no general provision for inventories were provided.

Historically, the actual net realizable value is close to the management estimation.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

Depreciation is provided on straight-line basis over their estimated useful lives. The principal depreciation rates are as follows :-

	Annual rate	Residual value
Buildings	1.9%	5%
Plant and machinery	9.5%	5%
Motor vehicles	11.875%	5%
Office equipment	19%	5%
Tools	9.5%	5%
Leasehold improvements	12.5%	Nil

Construction in progress mainly represents expenditures in respect of the Company's warehouses and factories under construction. All director costs relating to the acquisition or construction of the Company's warehouses and factories are capitalized as construction in progress. No depreciation is provided in respect of construction in progress.

Maintenance or repairs are charged to expense as incurred. Significant improvements and renewals that extend the useful life of the asset are capitalized. Upon sale or disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount less proceeds from disposal is charged or credited to income.

Land use right

Land use right is stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the terms of the lease of 50 years obtained from the relevant PRC land authority.

Impairment of long-lived assets

Long-lived assets are tested for impairment in accordance with SFAS No. 144 and Accounting Principles Board ( APB ) Opinion 18, Equity Method of Accounting for Investments in Common Stock, respectively. The Company periodically evaluates potential impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Company recognizes impairment of long-lived assets and investment in an affiliate in the event that the net book values of such assets exceed the future undiscounted cashflows attributable to such assets. During the reporting periods, the Company has no identified any indicators that would require testing for impairment.

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three and six months ended June 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**4. Summary of significant accounting policies (Cont d)**

Revenue recognition

Revenue from sales of the Company's products is recognized when the significant risks and rewards of ownership have been transferred to the buyer, the sales price is fixed or determinable and collection is reasonably assured.

Basic and diluted earnings/(loss) per share

The Company reports basic earnings per share in accordance with SFAS No. 128, Earnings Per Share. Basic earnings/(loss) per share is computed using the weighted average number of shares outstanding during the periods presented. The weighted average number of shares of the Company represents the common stock outstanding during the reporting periods.

Recently issued accounting pronouncements

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with few exceptions. SFAS 159 also establishes presentation and disclosure requirements to facilitate comparisons between companies that choose different measurement attributes for similar assets and liabilities. The requirements of SFAS 159 are effective for our fiscal year beginning January 1, 2008. We are in the process of evaluating this standard and therefore have not yet determined the impact that SFAS 159 will have on our financial statements upon adoption.

**5. Income taxes**

BVI

The Company were incorporated in the BVI and, under the current laws of the BVI, not subject to income taxes.

PRC

Enterprises income tax (EIT) to the subsidiaries of the Company in the PRC is charged at 33%, of which 30% is for national tax and 3% for local tax, of the assessable profits. As approved by the relevant tax authority in the PRC, Fuxin Hengrui was entitled to two years exemption, from the first profit making calendar year of operations after offset of accumulated taxable losses, followed by 50% tax reduction for the immediate next three calendar years (tax holiday). Fuxin Hengrui has elected not to commence the entitlement of tax holiday in the first profit making fiscal financial year of 2003 and thus had current tax payable in the prior period. The tax holiday of Fuxin Hengrui commenced in the fiscal year 2004. Accordingly, Fuxin Hengrui will be exempted from EIT for 2004 and 2005 and thereafter entitled to a 50% reduction on EIT tax rate at 16.5% for 2006, 2007 and 2008.

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three and six months ended June 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**5. Income taxes (Cont d)**

PRC (cont d)

On March 16, 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"). The new CIT Law reduces the corporate income tax rate from 33% to 25% with effect from January 1, 2008. The tax rate reduction will also impact the carrying value of deferred tax assets as a result of new tax rate.

**6. Earnings/(loss) per share**

During the reporting periods, the Company had no dilutive instruments. Accordingly, the basic and diluted earnings/(loss) per share are the same.

**7. Trade receivables**

	<i>June 30, 2007 (Unaudited)</i>	<i>December 31, 2006 (Audited)</i>
Trade receivables	\$ 4,367,584	\$ 1,527,557
Allowance for doubtful accounts	(29,299)	(215,062)
	<u>4,338,285</u>	<u>1,312,495</u>

The Company incurred \$188,681 of doubtful debt recovery and \$22,997 of doubtful debt expense for the six months ended June 30, 2007 and 2006 respectively.

**8. Other receivables**

	<i>June 30, 2007 (Unaudited)</i>	<i>December 31, 2006 (Audited)</i>
Advances to third parties - Note 8a	\$ 3,750,649	\$ 4,679,857
Value added tax and other tax recoverable		117,503
Other receivables	2,761	1,152
	<u>3,753,410</u>	<u>4,798,512</u>
Allowance of doubtful debts	(231,567)	(245,978)
	<u>\$ 3,521,843</u>	<u>\$ 4,552,534</u>

Note :-

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



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- b. The Company incurred \$20,459 and \$Nil of doubtful debt recovery for the six months ended June 30, 2007 and 2006 respectively.

- 12 -

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**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three and six months ended June 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**9. Advances to staff**

The amounts are interest-free, unsecured and repayable on demand. The Company incurred \$3,423 and \$Nil of doubtful debt recovery for the six months ended June 30, 2007 and 2006 respectively.

**10. Prepayments**

	<i>June 30, 2007 (Unaudited)</i>	<i>December 31, 2006 (Audited)</i>
Prepayment for raw materials	\$ 3,460,602	\$ 787,931
Prepayment for factory construction	6,486	30,655
Prepayment for factory tools	27,246	17,195
Prepayment for utilities expenses	22,543	97,235
Prepayment for other expenses	18,693	
	<u>\$ 3,535,570</u>	<u>\$ 933,016</u>

**11. Inventories**

	<i>June 30, 2007 (Unaudited)</i>	<i>December 31, 2006 (Audited)</i>
Raw materials	\$ 1,995,840	\$ 1,472,033
Finished goods	663,840	4,149,691
Consumables	36,197	35,834
	<u>\$ 2,695,877</u>	<u>\$ 5,657,558</u>

No (recovery of)/provision for obsolete inventories were (credited)/charged to operations during the period.

**12. Property, plant and equipment**

	<i>June 30, 2007 (Unaudited)</i>	<i>December 31, 2006 (Audited)</i>
Costs:		
Buildings	\$ 13,860,829	\$ 13,531,965
Plant and machinery	17,603,734	17,165,082
Office equipment	113,295	96,250
Tools	169,919	163,706
Leasehold improvements	3,473,129	3,385,972

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Motor vehicles	426,255	412,361
	<u>                    </u>	<u>                    </u>
	35,647,161	34,755,336
Accumulated depreciation	(8,349,426)	(6,928,581)
	<u>                    </u>	<u>                    </u>
Net	\$ 27,297,735	\$ 27,826,755
	<u>                    </u>	<u>                    </u>

As of June 30, 2007, certain property, plant and equipment with aggregate net book value of \$3,476,422 was pledged to bank to secure general banking facilities (Note 15a).

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three and six months ended June 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**13. Other payables and accrued expenses**

	<i>June 30, 2007</i>		<i>December 31, 2006</i>
	<i>(Unaudited)</i>		<i>(Audited)</i>
Accrued audit fee	184,100	\$	179,480
Payable for acquisition of property, plant and equipment	564,979		753,183
Accruals for factory construction	1,886,055		1,649,093
Loan from a related party - Note 13a	96,646		71,368
Loans from third parties - Note 13b	6,824,596		6,957,053
Other accrued expenses	590,910		458,706
Other tax payable	1,584,382		134,341
Staff welfare payable - Note 13c	132,889		146,511
Other payables	23,924		12,047
	<u>11,888,481</u>	<u>\$</u>	<u>10,361,782</u>

Note :-

- a. The amounts represent loans from a related company in which Madam Tan is a shareholder and are interest-free, unsecured and repayable on demand.
- b. The amounts are interest-free, unsecured and repayable on demand.
- c. Staff welfare payable represents accrued staff medical, industry injury claims, labor and unemployment insurances. All of which are third parties insurance and the insurance premiums are based on certain percentage of salaries. The obligations of the Company are limited to those premiums contributed by the Company.

**14. Dividend payable**

The amount represents the dividend declared by the directors of Fuxin Hengrui and payable to the ex-stockholders before the Company acquired 89.15% equity interest of Fuxin Hengrui.

**15. Secured short-term bank loans**

	<i>June 30, 2007</i>		<i>December 31, 2006</i>
	<i>(Unaudited)</i>		<i>(Audited)</i>
Bank loans repayable as follows:			
Within 1 year	\$ 11,755,997	\$	12,779,773
	<u>11,755,997</u>		<u>12,779,773</u>

As of June 30, 2007, the Company's banking facilities were as follows:

Facilities granted	Granted	Amount utilized	Unused
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Secured bank loans	\$	14,701,700	\$	11,755,997	\$	2,945,703
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- 14 -

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three and six months ended June 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**15. Secured short-term bank loans (Cont d)**

The above banking loans were secured by the following :-

- a. Property, plant and equipment with carrying value of \$3,476,422 (Note 12);
- b. Land use right with carrying value of \$2,839,475;
- c. Guarantee executed by Mr. Song Lihui who is a director of Fuxin Hengrui; and
- d. All the bank loans are denominated in RMB and carry interest rates ranging from 4.8675% to 6.045% per annum with maturity dates within 1 year.

During the reporting periods, there was no covenant requirement under the banking facilities granted to the Company.

**16. Commitments and contingencies**

a. Capital commitment

As of June 30, 2007, the Company had no capital commitments in respect of the acquisition of property, plant and equipment which contracted for but not provided in the financial statements.

b. Operating lease arrangement

As of June 30, 2007, the Company had a non-cancelable operating lease for its warehouse. The lease will expire in 2015 and the expected payments are as follows:-

Within one year	\$	389,100
Two to five years		1,556,400
After five years		1,232,150
		3,177,650
	\$	3,177,650

The rental expenses relating to the operating leases were \$194,450 and \$186,900 for the six months ended June 30, 2007 and 2006, respectively.

c. Environmental

The Company's operations are subject to the laws and regulations in the PRC relating to the generation, storage, handling, transportation and discharge of certain materials, substances and waste into the environment, and various other health and safety matters. Governmental authorities have the power to enforce compliance with their regulations, and violators may be subject to fines, injunctions or both. The Company must devote substantial financial resources to ensure compliance, and the management believes that it is in substantial compliance with all the applicable laws and regulations.

The Company has not incurred any significant expenditure for environmental remediation, is currently not involved in any environmental remediation and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position, operating results or cash flows of the Company.

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The Company incurred normal routine pollutant discharge fees of \$31 and \$126 for the six months ended June 30, 2007 and 2006 respectively.

- 15 -

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**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the three and six months ended June 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**17. State pension contribution plan**

The Company has a defined contribution plan for all qualified employees in the PRC. The employer and its employees are each required to make contributions to the plan at the rates specified in the plan. The only obligation of the Company with respect to retirement scheme is to make the required contributions under the plan. No forfeited contribution is available to reduce the contribution payable in the future years. The defined contribution plan contributions were charged to the condensed consolidated statements of operations. The Company contributed \$36,923 and \$39,686 for the six months ended June 30, 2007 and 2006 respectively.

**18. Segment information**

The nature of the products, their production processes, the type of their customers and their distribution methods are substantially similar, they are considered as a single reportable segment under FAS 131, Disclosure about Segments of Enterprise and Related Information .

All of the Company's long-lived assets are located in the PRC. Geographic information about the revenues, which are classified based on the customers, is set out as follows:

	<i>Six months ended</i>	
	<i>June 30</i>	
	<i>(Unaudited)</i>	
	<u>2007</u>	<u>2006</u>
PRC	\$ 24,697,840	\$ 10,575,773
Other	1,702,093	1,230,149
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 26,399,933</u>	<u>\$ 11,805,922</u>



## **Dollar Come Investments Limited**

Condensed Consolidated Financial Statements  
For the three and nine months ended  
September 30, 2007  
(Stated in US dollars)

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**Dollar Come Investments Limited**  
**Condensed Consolidated Financial Statements**

**Three and nine months ended September 30, 2007**

Index to Condensed Consolidated Financial Statements

	Pages
<u>Condensed Consolidated Statements of Income and Other Comprehensive Income</u>	1
<u>Condensed Consolidated Balance Sheets</u>	2 - 3
<u>Condensed Consolidated Statements of Cash Flows</u>	4 - 5
<u>Notes to Condensed Consolidated Financial Statements</u>	6 - 17

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**Dollar Come Investments Limited**  
**Condensed Consolidated Statements of Income and Other Comprehensive Income**  
**For the three and nine months ended September 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

	<i>Three months ended</i> <i>September 30</i> <i>(unaudited)</i>		<i>Nine months ended</i> <i>September 30</i> <i>(unaudited)</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Revenue				
Sales revenues - Note 18	\$ 13,146,634	\$ 9,155,534	\$ 39,546,567	\$ 20,961,456
Cost of sales	(9,536,341)	(9,693,108)	(30,335,870)	(22,626,290)
Gross profit/(loss)	3,610,293	(537,574)	9,210,697	(1,664,834)
Operating expenses				
Administrative expenses	723,394	467,653	1,947,478	1,095,284
Selling expenses	116,041	277,386	649,792	503,872
Total operating expenses	839,435	745,039	2,597,270	1,599,156
Income/(loss) from operations	2,770,858	(1,282,613)	6,613,427	(3,263,990)
Interest income	150	9,307	5,458	9,307
Other income	21,148	39,377	75,679	211,901
Finance costs	(315,567)	(175,544)	(711,435)	(576,628)
Equity in net loss of an unconsolidated affiliate	(13,078)	(16,634)	(12,354)	(17,411)
Income/(loss) before income taxes	2,463,511	(1,426,107)	5,970,775	(3,636,821)
Income taxes - Note 5	(425,949)	36,518	(1,058,580)	135,543
Minority interests shares of loss		165,445		394,479
Net income/(loss)	\$ 2,037,562	\$ (1,224,144)	\$ 4,912,195	\$ (3,106,799)
Other comprehensive income				
Foreign currency translation adjustments	\$ 147,017	\$ 63,725	\$ 328,693	\$ 135,675
Comprehensive income/(deficit)	\$ 2,184,579	\$ (1,160,419)	\$ 5,240,888	\$ (2,971,124)
Earnings/(loss) per share :				
basic and diluted - Note 6	\$ 2,037,562	\$ (1,224,144)	\$ 4,912,195	\$ (3,106,799)
Weighted average number of shares outstanding : basic and diluted - Note 6	1	1	1	1

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See the accompanying notes to condensed consolidated financial statements

- 1 -

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**Dollar Come Investments Limited**  
**Condensed Consolidated Balance Sheets**  
**As of September 30, 2007 and December 31, 2006**  
**(Stated in US Dollars)**

	<i>September 30, 2007 (Unaudited)</i>	<i>December 31, 2006 (Audited)</i>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,516,454	\$ 529,208
Restricted cash	869,205	448,996
Trade receivables (net of allowance of doubtful accounts of \$66,320 in 2007 and \$215,062 in 2006) - Note 7	3,728,573	1,312,495
Other receivables (net of allowance of doubtful accounts of \$272,194 in 2007 and \$245,978 in 2006) - Note 8	3,515,445	4,552,534
Advances to staff (net of allowance of doubtful accounts of \$206,093 in 2007 and \$179,276 in 2006) - Note 9	586,628	557,226
Prepayments - Note 10	4,711,452	933,016
Inventories - Note 11	2,653,647	5,657,558
Amount due from an unconsolidated affiliate	931,525	600,955
Deferred taxes	157,496	204,949
	<hr/>	<hr/>
Total current assets	18,670,425	14,796,937
Investment in an unconsolidated affiliate - Note 4	86,696	99,051
Property, plant and equipment, net - Note 12	27,079,945	27,826,755
Construction in progress	80,712	52,471
Land use right	2,864,693	2,798,602
Goodwill	393,830	3,293
Deferred taxes	22,344	163,512
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 49,198,645</b>	<b>\$ 45,740,621</b>

See the accompanying notes to condensed consolidated financial statements

**Dollar Come Investments Limited**  
**Condensed Consolidated Balance Sheets (Cont d)**  
**As of September 30, 2007 and December 31, 2006**  
**(Stated in US Dollars)**

	<i>September 30</i> <i>2007</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2006</i> <i>(Audited)</i>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>LIABILITIES</b>		
Current liabilities		
Trade payables	\$ 9,177,352	\$ 7,701,105
Bills payable	1,534,100	448,700
Other payables and accrued expenses - Note 13	13,081,531	10,361,782
Sales receipt in advance	739,388	7,577,617
Dividend payable - Note 14	613,640	1,153,800
Income tax payable	905,087	26,311
Amount due to a director	1,140,838	118,128
Secured short-term bank loans - Note 15	11,797,178	12,779,773
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>38,989,114</b>	<b>40,167,216</b>
	<hr/>	<hr/>
<b>COMMITMENTS AND CONTINGENCIES - Note 16</b>		
<b>MINORITY INTERESTS</b>		604,861
	<hr/>	<hr/>
<b>STOCKHOLDERS EQUITY</b>		
Common stock : par value \$1 per share		
Authorized 50,000 shares in 2007 and 2006; issued		
and outstanding 100 shares in 2007 and 1 share in 2006		
	100	1
Additional paid-in capital	7,750,603	7,750,603
Statutory reserves	79,446	79,446
Accumulated other comprehensive income	734,552	405,859
Retained earnings/(losses)	1,644,830	(3,267,365)
	<hr/>	<hr/>
<b>TOTAL STOCKHOLDERS EQUITY</b>	<b>10,209,531</b>	<b>4,968,544</b>
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 49,198,645</b>	<b>\$ 45,740,621</b>
	<hr/>	<hr/>

See the accompanying notes to condensed consolidated financial statements

**Dollar Come Investments Limited**  
**Condensed Consolidated Statements of Cash Flows**  
**For the nine months ended September 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

*Nine months ended*  
*September 30*  
*(Unaudited)*

	<i>2007</i>	<i>2006</i>
<b>Cash flows from operating activities</b>		
Net income/(loss)	\$ 4,912,195	\$ (3,106,799)
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:		
Depreciation	1,844,613	2,268,691
Amortization of land use right	46,430	43,253
Deferred taxes	199,294	(135,543)
(Recovery of)/provision for doubtful debts	(119,128)	23,071
Equity in net loss of an unconsolidated affiliate	12,354	17,411
Minority interests		(394,479)
Changes in operating assets and liabilities:		
Trade receivables	(2,159,085)	(5,117,087)
Other receivables	1,136,173	1,591,064
Advances to staff	34,566	406,794
Prepayments	(3,662,079)	(1,333,614)
Inventories	3,165,523	(1,880,036)
Trade payables	1,139,449	3,749,183
Bills payable	1,044,800	1,015,108
Other payables and accrued expenses	2,251,194	(2,665,944)
Sales receipt in advance	(6,995,607)	4,120,033
Amount due to a director	6,991	(444,391)
Amount due from an unconsolidated affiliate	(299,767)	(373,009)
Income tax payable	859,286	(35,725)
Net cash flows provided by/(used in) operating activities	<u>3,417,202</u>	<u>(2,252,019)</u>
<b>Cash flows from investing activities</b>		
Payments to acquire property, plant and equipment	(60,155)	(1,459,802)
Payments to acquire land use right		(220,683)
Net cash outflow for acquisition of Xianheng		(47,450)
Payment to acquire an unconsolidated affiliate		(131,355)
Proceeds from disposal of property, plant and equipment	26,120	12,182
Increase in restricted cash	(393,560)	(1,011,755)
Net cash flows used in investing activities	<u>(427,595)</u>	<u>(2,858,863)</u>

See the accompanying notes to condensed consolidated financial statements

**Dollar Come Investments Limited**  
**Consolidated Statements of Cash Flows (Cont d)**  
**For the nine months ended September 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

	<i>Nine months ended September 30 (Unaudited)</i>	
	<u>2007</u>	<u>2006</u>
<b>Cash flows from financing activities</b>		
Dividend paid to Fuxin Hengrui's ex-stockholders	\$ (574,640)	\$
Proceeds from bank loans	6,063,758	9,726,625
Repayment of bank loans	(7,533,216)	(4,379,316)
	<u>                    </u>	<u>                    </u>
Net cash flows (used in)/provided by financing activities	(2,044,098)	5,347,309
	<u>                    </u>	<u>                    </u>
Effect of foreign currency translation on cash and cash equivalents	41,737	4,768
	<u>                    </u>	<u>                    </u>
Net increase in cash and cash equivalents	987,246	241,195
Cash and cash equivalents - beginning of period	529,208	83,057
	<u>                    </u>	<u>                    </u>
Cash and cash equivalents - end of period	\$ 1,516,454	\$ 324,252
	<u>                    </u>	<u>                    </u>
Supplemental disclosures for cash flow information:		
Cash paid for:		
Interest	\$ 450,253	\$ 540,621
	<u>                    </u>	<u>                    </u>

See the accompanying notes to condensed consolidated financial statements



**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the nine months ended September 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**1. Corporate information and reorganization**

Dollar Come Investments Limited ( Dollar Come or the Company ) was incorporated on February 12, 2004 in the British Virgin Islands (the BVI ) with authorized common stock of \$50,000 divided into 50,000 ordinary shares of \$1 each. On July 2, 2004, 1 ordinary share of \$1 each was issued at par for cash to Madam Tan Lin ( Madam Tan ) who is also one of the directors of the Company. On September 28, 2007, 99 ordinary shares of \$1 each were issued at par to Money Victory Limited, a company wholly-owned by Madam Tan. During the reporting periods, it acted as an investment holding company only and did not have any other activities. The Company intends to go public in the US through a reverse acquisition of a US publicly traded company.

As of September 30, 2007, the Company has two subsidiaries and an unconsolidated affiliate with details as below :-

<u>Company name</u>	<u>Place/date of incorporation or establishment</u>	<u>The Company's effective ownership interest</u>	<u>Common stock/ registered capital</u>	<u>Principal activities</u>
Fuxin Hengrui Technology Co., Ltd. ( Fuxin Hengrui )	The People's Republic of China ( PRC )/ September 18, 2002	100% directly held by the Company	Registered capital of \$5,030,000 fully paid up	Manufacturing and distribution of float glasses
Fuxin Xianheng Float-Glass Co., Ltd. ( Xianheng )	PRC/ April 1, 2004	25% directly held by the Company and 75% indirectly held through Fuxin Hengrui	Registered capital of \$60,500 fully paid up	Not yet commenced business
Fuxin Hengrui Tianyuan New Energy Sources Co., Ltd. ( Tianyuan )	PRC/ May 17, 2006	35% indirectly held through Fuxin Hengrui	Registered capital of \$1,251,000 and \$375,000 fully paid up	Manufacturing of coal water mixture to assess energy alternative for industrial boiler

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the nine months ended September 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**1. Corporate information and reorganization (Cont d)**

Fuxin Hengrui was incorporated in the PRC on September 18, 2002 with registered capital of \$5,030,000 (RMB41,600,000, which are not divided into shares) and engaged in manufacture and distribution of float glasses.

Xianheng was incorporated in the PRC on April 1, 2004 with registered capital of \$60,500 (RMB500,000, which are not divided into shares). During the reporting periods, Xianheng did not have any business activities.

On May 17, 2006, Fuxin Hengrui together with one of the directors of Fuxin Hengrui established Tianyuan in the PRC with registered capital of \$1,251,000 (RMB10 million, which are not dividend into shares). Pursuant to a special resolution passed on October 12, 2007, the registered capital of Tianyuan was reduced from \$1,251,000 to \$375,000 and the application was still in progress. On May 16, 2006, according to the payment schedule, Fuxin Hengrui contributed of \$131,355 to its registered capital representing 35% equity interest thereon. Tianyuan is principally engaged in manufacturing of coal water mixture to assess energy alternative for industrial boiler. More details and accounting treatment on investment in Tianyuan are set out in note 4.

We accounted for the acquisition of both Fuxin Hengrui and Xianheng using the purchase accounting method.

**2. Description of business**

The Company is a holding company whose primary business operations are conducted through its subsidiaries located in the Liuling Province of the PRC. Through its operating subsidiaries, the Company manufactures and distributes of float glasses.

The raw materials used in production are mainly divided into four groups, namely soda ash, heavy oils, silica sand and dolomite, which are primary sourced from suppliers located in the PRC. The production facilities of the Company are located in Liuling Province of the PRC.

**3. Basis of presentation**

The accompanying unaudited condensed consolidated financial statements of the Company and its subsidiary have been prepared in accordance with generally accepted accounting principles in the United States of America for interim consolidated financial information. Accordingly, they do not include all the information and notes necessary for comprehensive consolidated financial statements.

In the opinion of the management of the Company, all adjustments, which are of a normal recurring nature, necessary for a fair statement of the results for the three-month periods have been made. Results for the interim periods presented are not necessarily indicative of the results that might be expected for the entire fiscal year. These condensed financial statements should be read in conjunction with the consolidated financial statements and the notes for each of the period from February 12, 2004 to December 31, 2004 and two years in the period ended December 31, 2006.

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the nine months ended September 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**4. Summary of significant accounting policies**

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. Pursuant to the provisions of SFAS No. 142 Goodwill and Other Intangible Assets, goodwill is not amortized and is subjected to an annual impairment test which occurs in the fourth quarter of each fiscal year.

Goodwill will be written down only when and if impairment is identified and measured, based on future events and conditions.

Investment in an unconsolidated affiliate

The Company accounts for the 35% investment in Tianyuan (an investment in which the Company exercises significant influence but does not control) using the equity method, under which the share of Tianyuan's net loss is recognized in the period in which it is incurred by Tianyuan. As of September 30, 2007, the investment in an unconsolidated affiliate of \$86,696 (RMB698,207) represents attributable share of the underlying net assets of Tianyuan.

Use of estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. These accounts and estimates include, but are not limited to, the valuation of accounts receivable, inventories, deferred income taxes, provision for warranty and the estimation on useful lives of property, plant and equipment. Actual results could differ from those estimates.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, trade receivables and other receivables. As of September 30, 2007 and December 31, 2006, substantially all of the Company's cash and cash equivalents and restricted cash were held by major financial institutions located in the PRC, which management believes are of high credit quality. With respect to other receivables and trade receivables, the Company extends credit based on an evaluation of the customer's financial condition. The Company generally does not require collateral for trade receivables and other receivables which maintains an allowance for doubtful accounts of trade receivables and other receivables.

Cash and cash equivalents

Cash and cash equivalents include all cash, deposits in banks and other highly liquid investments with initial maturities of three months or less to be cash equivalents. As of September 30, 2007 and December 31, 2006, almost all the cash and cash equivalents were denominated in Renminbi ( RMB ) and were placed with banks in the PRC. They are not freely convertible into foreign currencies and the remittance of these funds out of the PRC is subject to exchange control restrictions imposed by the PRC government. The remaining insignificant balance of cash and cash equivalents were denominated in US dollars.

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the nine months ended September 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**4. Summary of significant accounting policies (Cont d)**

Restricted Cash

Deposits in banks pledged as securities for bills payable that are restricted in use are classified as restricted cash under current assets.

Allowance of doubtful accounts

The Company establishes an allowance for doubtful accounts based on management's assessment of the collectibility of trade receivables and other receivables. A considerable amount of judgment is required in assessing the amount of the allowance, the Company considers the historical level of credit losses and applies percentages to aged receivable categories. The Company makes judgments about the creditworthiness of each customer based on ongoing credit evaluations, and monitors current economic trends that might impact the level of credit losses in the future. If the financial condition of the customers were to deteriorate, resulting in their inability to make payments, a larger allowance may be required.

Based on the above assessment, during the reporting years, the management establishes the general provisioning policy to make allowance equivalent to 10% of gross amount of trade receivables and other receivables due over 6-12 months, 25% gross amount of trade receivables and other receivables due over 1-2 years and 50% of gross amount of trade receivables and other receivables due over 2-3 years and 100% of gross amount of trade receivables and other receivables due over 3 years. Additional specific provision is made against trade receivables aged less than 6 months to the extent which they are considered to be doubtful.

Bad debts are written off when identified. The Company extends unsecured credit to customers ranging from three to six months in the normal course of business. The Company does not accrue interest on trade receivables.

Historically, losses from uncollectible accounts have not significantly deviated from the general allowance estimated by the management and no significant additional bad debts have been written off directly to the profit and loss. This general provisioning policy has not changed in the past since establishment and the management considers that the aforementioned general provisioning policy is adequate and not too excessive and does not expect to change this established policy in the near future.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined on a weighted average basis and includes all expenditures incurred in bringing the goods to the point of sale and putting them in a saleable condition. In assessing the ultimate realization of inventories, the management makes judgments as to future demand requirements compared to current or committed inventory levels. Our reserve requirements generally increase as our projected demand requirements; decrease due to market conditions, product life cycle changes. The Company estimates the demand requirements based on market conditions, forecasts prepared by its customers, sales contracts and orders in hand.

In addition, the Company estimates net realizable value based on intended use, current market value and inventory ageing analyses. The Company writes down the inventories for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventories and the estimated market value based upon assumptions about future demand and market conditions.

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the nine months ended September 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**4. Summary of significant accounting policies (Cont d)**

Inventories (cont d)

Based on the above assessment, the Company establishes a general provision to make a 50% provision for inventories aged over 1 year. As September 30, 2007 and December 31, 2006, no general provision for inventories were provided.

Historically, the actual net realizable value is close to the management estimation.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

Depreciation is provided on straight-line basis over their estimated useful lives. The principal depreciation rates are as follows :-

	<u>Annual rate</u>	<u>Residual value</u>
Buildings	1.9%	5%
Plant and machinery	9.5%	5%
Motor vehicles	11.875%	5%
Office equipment	19%	5%
Tools	9.5%	5%
Leasehold improvements	12.5%	Nil

Construction in progress mainly represents expenditures in respect of the Company's warehouses and factories under construction. All director costs relating to the acquisition or construction of the Company's warehouses and factories are capitalized as construction in progress. No depreciation is provided in respect of construction in progress.

Maintenance or repairs are charged to expense as incurred. Significant improvements and renewals that extend the useful life of the asset are capitalized. Upon sale or disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount less proceeds from disposal is charged or credited to income.

Land use right

Land use right is stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the terms of the lease of 50 years obtained from the relevant PRC land authority.

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the nine months ended September 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**4. Summary of significant accounting policies (Cont d)**

Impairment of long-lived assets

Long-lived assets are tested for impairment in accordance with SFAS No. 144 and Accounting Principles Board ( APB ) Opinion 18, Equity Method of Accounting for Investments in Common Stock, respectively. The Company periodically evaluates potential impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Company recognizes impairment of long-lived assets and investment in an affiliate in the event that the net book values of such assets exceed the future undiscounted cashflows attributable to such assets. During the reporting periods, the Company has no identified any indicators that would require testing for impairment.

Revenue recognition

Revenue from sales of the Company's products is recognized when the significant risks and rewards of ownership have been transferred to the buyer, the sales price is fixed or determinable and collection is reasonably assured.

Basic and diluted (loss)/earnings per share

The Company reports basic earnings per share in accordance with SFAS No. 128, Earnings Per Share . Basic earnings/(loss) per share is computed using the weighted average number of shares outstanding during the periods presented. The weighted average number of shares of the Company represents the common stock outstanding during the reporting periods.

Recently issued accounting pronouncements

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115 ( SFAS 159 ). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with few exceptions. SFAS 159 also establishes presentation and disclosure requirements to facilitate comparisons between companies that choose different measurement attributes for similar assets and liabilities. The requirements of SFAS 159 are effective for our fiscal year beginning January 1, 2008. We are in the process of evaluating this standard and therefore have not yet determined the impact that SFAS 159 will have on our financial statements upon adoption.

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the nine months ended September 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**5. Income taxes**

BVI

The Company were incorporated in the BVI and, under the current laws of the BVI, are not subject to income taxes.

PRC

Enterprises income tax ( EIT ) to the subsidiaries of the Company in the PRC is charged at 33%, of which 30% is for national tax and 3% for local tax, of the assessable profits. As approved by the relevant tax authority in the PRC, Fuxin Hengrui was entitled to two years exemption, from the first profit making calendar year of operations after offset of accumulated taxable losses, followed by 50% tax reduction for the immediate next three calendar years ( tax holiday ). Fuxin Hengrui has elected not to commence the entitlement of tax holiday in the first profit making fiscal financial year of 2003 and thus had current tax payable in the prior period. The tax holiday of Fuxin Hengrui commenced in the fiscal year 2004. Accordingly, Fuxin Hengrui will be exempted from EIT for 2004 and 2005 and thereafter entitled to a 50% reduction on EIT tax rate at 16.5% for 2006, 2007 and 2008.

On March 16, 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the New CIT Law ). The new CIT Law reduces the corporate income tax rate from 33% to 25% with effect from January 1, 2008. The tax rate reduction will also impact the carrying value of deferred tax assets as a result of new tax rate.

**6. Earnings/(loss) per share**

During the reporting periods, the Company had no dilutive instruments. Accordingly, the basic and diluted earnings/(loss) per share are the same.

**7. Trade receivables**

	<i>September 30, 2007 (Unaudited)</i>	<i>December 31, 2006 (Audited)</i>
Accounts receivable	\$ 3,794,893	\$ 1,527,557
Allowance for doubtful accounts	(66,320)	(215,062)
	<u>\$ 3,728,573</u>	<u>\$ 1,312,495</u>

The Company incurred \$154,161 of doubtful debt recovery and \$23,071 of doubtful debt expenses for the nine months ended September 30, 2007 and 2006 respectively.

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the nine months ended September 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**8. Other receivables**

	<i>September 30, 2007 (Unaudited)</i>	<i>December 31, 2006 (Audited)</i>
Advances to third parties - Note 8a	\$ 3,764,828	\$ 4,679,857
Value added tax and other tax recoverable		117,503
Other receivables	22,811	1,152
	<u>3,787,639</u>	<u>4,798,512</u>
Allowance of doubtful debts	(272,194)	(245,978)
	<u>\$ 3,515,445</u>	<u>\$ 4,552,534</u>

Note :-

- a. The amounts are interest-free, unsecured and repayable on demand.
- b. The Company incurred \$15,898 and \$Nil of doubtful debt expenses for the nine months ended September 30, 2007 and 2006 respectively.

**9. Advances to staff**

The amounts are interest-free, unsecured and repayable on demand. The Company incurred \$19,135 and \$Nil of doubtful debt expense for the nine months ended September, 2007 and 2006 respectively.

**10. Prepayments**

	<i>September 30, 2007 (Unaudited)</i>	<i>December 31, 2006 (Audited)</i>
Prepayment for raw materials	\$ 3,018,833	\$ 787,931
Prepayment for factory construction	77,077	30,655
Prepayment for factory tools	61,657	17,195
Prepayment for utilities expenses	149,228	97,235
Prepayment for other expenses	1,404,657	
	<u>\$ 4,711,452</u>	<u>\$ 933,016</u>



**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the nine months ended September 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**11. Inventories**

	<i>September 30,</i> <i>2007</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2006</i> <i>(Audited)</i>
Raw materials	\$ 2,233,702	\$ 1,472,033
Finished goods	382,658	4,149,691
Consumables	37,287	35,834
	<u>2,653,647</u>	<u>5,657,558</u>

No (recovery of)/provision for obsolete inventories were (credited)/charged to operations during the period.

**12. Property, plant and equipment**

	<i>September 30,</i> <i>2007</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2006</i> <i>(Audited)</i>
Costs:		
Buildings	\$ 14,061,100	\$ 13,531,965
Plant and machinery	17,866,847	17,165,082
Office equipment	118,120	96,250
Tools	172,374	163,706
Leasehold improvements	3,523,312	3,385,972
Motor vehicles	435,285	412,361
	<u>36,177,038</u>	<u>34,755,336</u>
Accumulated depreciation	(9,097,093)	(6,928,581)
Net	<u>27,079,945</u>	<u>\$ 27,826,755</u>

As of September 30, 2007, certain property, plant and equipment with aggregate net book value of \$3,507,574 was pledged to bank to secure general banking facilities (Note 15a).

**13. Other payables and accrued expenses**

	<i>September 30,</i> <i>2007</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2006</i> <i>(Audited)</i>
Accrued audit fee	\$ 85,376	\$ 179,480
Payable for acquisition of property, plant and equipment	494,246	753,183

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	<i>September 30, 2007 (Unaudited)</i>	<i>December 31, 2006 (Audited)</i>
Accruals for factory construction	2,096,420	1,649,093
Loan from a related party - Note 13a		71,368
Loans from third parties - Note 13b	6,348,950	6,957,053
Other accrued expenses	861,192	458,706
Other tax payable	3,069,665	134,341
Staff welfare payable - Note 13c	103,326	146,511
Other payables	22,356	12,047
	<u>                    </u>	<u>                    </u>
	\$ 13,081,531	\$ 10,361,782
	<u>                    </u>	<u>                    </u>

- 14 -

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the nine months ended September 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**13. Other payables and accrued expenses (Cont d)**

Note :-

- a. The amount represents loan from a related company in which Madam Tan is a shareholder and is interest-free, unsecured and repayable on demand.
- b. The amounts are interest-free, unsecured and repayable on demand.
- c. Staff welfare payable represents accrued staff medical, industry injury claims, labor and unemployment insurances. All of which are third parties insurance and the insurance premiums are based on certain percentage of salaries. The obligations of the Company are limited to those premiums contributed by the Company.

**14. Dividend payable**

The amount represents the dividend declared by the directors of Fuxin Hengrui and payable to the ex-stockholders before the Company acquired 89.15% equity interest of Fuxin Hengrui.

**15. Secured short-term bank loans**

	<i>September 30, 2007 (Unaudited)</i>	<i>December 31, 2006 (Audited)</i>
Bank loans repayable as follows:		
Within 1 year	\$ 11,797,178	\$ 12,779,773

As of September 30, 2007, the Company's banking facilities were as follows:

Facilities granted	Granted	Amount utilized	Unused
Secured bank loans	\$ 14,914,120	\$ 11,797,178	\$ 3,116,942

The above banking loans were secured by the following :-

- a. Property, plant and equipment with carrying value of \$3,507,574 (Note 12);
- b. Land use right with carrying value of \$2,864,693;
- c. Guarantee executed by Mr. Song Lihui who is a director of Fuxin Hengrui; and
- d. All the bank loans are denominated in RMB and carry interest rates ranging from 4.8675% to 6.045% per annum with maturity dates within 1 year.

During the reporting periods, there was no covenant requirement under the banking facilities granted to the Company.



**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the nine months ended September 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**16. Commitments and contingencies**

a. Capital commitment

As of September 30, 2007, the Company had no capital commitments in respect of the acquisition of property, plant and equipment which contracted for but not provided in the financial statements.

b. Operating lease arrangement

As of September 30, 2007, the Company had a non-cancelable operating lease for its warehouse. The lease will expire in 2015 and the expected payments are as follows:-

Within one year	\$	391,800
Two to five years		1,567,200
After five years		1,142,750
		<hr/>
	\$	3,101,750
		<hr/>

The rental expenses relating to the operating leases were \$293,850 and \$281,250 for the nine months ended September 30, 2007 and 2006 respectively.

c. Environmental

The Company's operations are subject to the laws and regulations in the PRC relating to the generation, storage, handling, transportation and discharge of certain materials, substances and waste into the environment, and various other health and safety matters. Governmental authorities have the power to enforce compliance with their regulations, and violators may be subject to fines, injunctions or both. The Company must devote substantial financial resources to ensure compliance, and the management believes that it is in substantial compliance with all the applicable laws and regulations.

The Company has not incurred any significant expenditure for environmental remediation, is currently not involved in any environmental remediation and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position, operating results or cash flows of the Company.

The Company incurred normal routine pollutant discharge fees of \$1,700 and \$126 for the nine months ended September 30, 2007 and 2006 respectively.

**Dollar Come Investments Limited**  
**Notes to Condensed Consolidated Financial Statements**  
**For the nine months ended September 30, 2007 and 2006**  
**(Unaudited)**  
**(Stated in US Dollars)**

**17. State pension contribution plan**

The Company has a defined contribution plan for all qualified employees in the PRC. The employer and its employees are each required to make contributions to the plan at the rates specified in the plan. The only obligation of the Company with respect to retirement scheme is to make the required contributions under the plan. No forfeited contribution is available to reduce the contribution payable in the future years. The defined contribution plan contributions were charged to the condensed consolidated statements of operations. The Company contributed \$57,477 and \$57,942 for the nine months ended September 30, 2007 and 2006 respectively.

**18. Segment information**

The nature of the products, their production processes, the type of their customers and their distribution methods are substantially similar, they are considered as a single reportable segment under FAS 131, Disclosure about Segments of Enterprise and Related Information .

All of the Company's long-lived assets are located in the PRC. Geographic information about the revenues, which are classified based on the customers, is set out as follows:

	<i>Nine months ended</i>	
	<i>September 30</i>	
	<i>(Unaudited)</i>	
	<u>2007</u>	<u>2006</u>
PRC	\$ 36,872,572	\$ 18,103,103
Other	2,673,995	2,858,353
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 39,546,567</u>	<u>\$ 20,961,456</u>

## **Dollar Come Investments Limited**

Consolidated Financial Statements  
For the period from  
February 12, 2004 (date of incorporation) to  
December 31, 2004 and each of the two years  
in the period ended December 31, 2006

(Stated in US dollars)

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## Edgar Filing: NEVSTAR CORP - Form 8-K

Dollar Come Investments Limited  
Consolidated Financial Statements

For the period from February 12, 2004 (date of incorporation) to December 31, 2004 and each of the two years in the period ended December 31, 2006

Index to Consolidated Financial Statements

	Pages
<u>Report of Independent Registered Public Accounting Firm</u>	<u>1</u>
<u>Consolidated Statements of Income and Other Comprehensive Income</u>	<u>2</u>
<u>Consolidated Balance Sheets</u>	<u>3 - 4</u>
<u>Consolidated Statements of Cash Flows</u>	<u>5 - 6</u>
<u>Consolidated Statements of Stockholders' Equity</u>	<u>7</u>
<u>Notes to Consolidated Financial Statements</u>	<u>8-28</u>

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of  
Dollar Come Investments Limited

We have audited the accompanying consolidated balance sheets of Dollar Come Investments Limited (the Company) and its subsidiaries as of December 31, 2006, 2005 and 2004, and the related consolidated statements of operations, stockholders' equity and cash flows for the period from February 12, 2004 (date of incorporation) to December 31, 2004 and each of the two years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2006, 2005 and 2004, and the consolidated results of their operations and their cash flows for the period from February 12, 2004 (date of incorporation) to December 31, 2004 and each of the two years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

PKF  
Certified Public Accountants  
Hong Kong, China  
January 15, 2008

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**Dollar Come Investments Limited**  
**Consolidated Statements of Income and Other Comprehensive Income**  
**(Stated in US Dollars)**

	Year ended December 31,		For the period from February 12, 2004 to December 31, 2004
	2006	2005	
<b>Revenue</b>			
Sales revenues - Note 26	\$ 30,245,534	\$ 24,577,325	\$
Cost of sales	(31,727,456)	(23,012,780)	
Gross (loss)/profit	(1,481,922)	1,564,545	
<b>Operating expenses</b>			
Administrative expenses	1,672,277	1,332,680	
Selling expenses	741,777	480,322	
	2,414,054	1,813,002	
Loss from operations	(3,895,976)	(248,457)	
Interest income	16,496	12,112	
Other income	105,056	138,891	
Government grants - Note 4	471,251	744,198	
Finance costs - Note 5	(764,454)	(399,524)	
Equity in net loss of an unconsolidated affiliate	(33,378)		
(Loss)/income before income taxes	(4,101,005)	247,220	
Income taxes - Note 6	11,748	266,294	
Minority interests shares of loss/(profit)	443,540	(55,716)	
Net (loss)/income	\$ (3,645,717)	\$ 457,798	\$
<b>Other comprehensive income</b>			
Foreign currency translation adjustments	\$ 206,951	\$ 198,908	\$
Comprehensive (deficit)/income	\$ (3,438,766)	\$ 656,706	\$
(Loss)/earnings per share : basic and diluted - Note 7	\$ (3,645,717)	\$ 457,798	\$
<b>Weighted average number of shares outstanding :</b>			
basic and diluted - Note 7	1	1	1

See the accompanying notes to consolidated financial statements



**Dollar Come Investments Limited**  
**Consolidated Balance Sheets**  
**(Stated in US Dollars)**

	As of December 31,		
	2006	2005	2004
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 529,208	\$ 83,057	\$ 325,185
Restricted cash - Note 8	448,996	503,430	883,300
Trade receivables (net of allowance of doubtful accounts of \$215,062 in 2006, \$108,244 in 2005 and \$20,892 in 2004) - Note 9	1,312,495	624,222	1,023,330
Other receivables (net of allowance of doubtful accounts of \$245,978 in 2006, \$74,751 in 2005 and \$32,420 in 2004) - Note 10	4,552,534	2,270,425	1,146,460
Advances to staff (net of allowance of doubtful accounts of \$179,276 in 2006, \$41,247 in 2005 and \$Nil in 2004) - Note 11	557,226	773,559	327,753
Prepayments - Note 12	933,016	612,054	2,469,918
Inventories - Note 13	5,657,558	4,501,045	2,187,934
Amount due from an unconsolidated affiliate - Note 20	600,955		
Deferred taxes - Note 6	204,949	80,861	25,428
<b>Total current assets</b>	<b>14,796,937</b>	<b>9,448,653</b>	<b>8,389,308</b>
Investment in an unconsolidated affiliate - Note 4	99,051	15,475	
Property, plant and equipment, net - Note 14	27,826,755	27,514,275	24,877,596
Construction in progress	52,471	18,805	311,116
Land use right - Note 15	2,798,602	2,545,601	2,494,657
Goodwill - Note 3	3,293		
Deferred taxes - Note 6	163,512	238,480	22,508
<b>TOTAL ASSETS</b>	<b>\$ 45,740,621</b>	<b>\$ 39,781,289</b>	<b>\$ 36,095,185</b>

**Dollar Come Investments Limited**  
**Consolidated Balance Sheets (Cont d)**  
**(Stated in US Dollars)**

	As of December 31,		
	2006	2005	2004
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
<b>LIABILITIES</b>			
Current liabilities			
Trade payables - Note 8	\$ 7,701,105	\$ 3,656,724	\$ 1,242,528
Bills payable - Note 8	448,700	499,815	883,300
Other payables and accrued expenses - Note 17	10,361,782	12,913,463	14,024,311
Sales receipt in advance - Note 18	7,577,617	4,785,020	3,998,435
Dividend payable - Note 19	1,153,800	1,116,000	1,089,000
Income tax payable	26,311	35,439	34,581
Amount due to a director - Note 20	118,128	673,106	79,138
Secured short-term bank loans - Note 21	12,779,773	6,671,200	6,050,000
	<u>40,167,216</u>	<u>30,350,767</u>	<u>27,401,293</u>
<b>COMMITMENTS AND CONTINGENCIES</b>			
- Note 22			
<b>MINORITY INTERESTS</b> - Note 4	604,861	1,023,212	943,288
	<u>604,861</u>	<u>1,023,212</u>	<u>943,288</u>
<b>STOCKHOLDERS EQUITY</b>			
Common stock : par value \$1 per share			
Authorized 50,000 shares in 2006, 2005 and 2004; issued and outstanding			
1 share in 2006, 2005 and 2004 - Note 23	1	1	1
Additional paid-in capital	7,750,603	7,750,603	7,750,603
Statutory reserves - Note 24	79,446	79,446	
Accumulated other comprehensive income	405,859	198,908	
Retained (losses)/earnings	(3,267,365)	378,352	
	<u>4,968,544</u>	<u>8,407,310</u>	<u>7,750,604</u>
<b>TOTAL STOCKHOLDERS EQUITY</b>	<u>4,968,544</u>	<u>8,407,310</u>	<u>7,750,604</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<u>\$ 45,740,621</u>	<u>\$ 39,781,289</u>	<u>\$ 36,095,185</u>

See the accompanying notes to consolidated financial statements

**Dollar Come Investments Limited**  
**Consolidated Statements of Cash Flows**  
**(Stated in US Dollars)**

	Year ended December 31,		For the period from February 12, 2004 to December 31, 2004
	2006	2005	
<b>Cash flows from operating activities</b>			
Net (loss)/income	\$ (3,645,717)	\$ 457,798	\$
Adjustments to reconcile net (loss)/income to net cash flows (used in)/provided by operating activities:			
Depreciation	2,248,594	1,960,920	
Amortization of land use right	58,345	52,879	
Share of result of unconsolidated affiliate	33,378		
Gain on disposal of property, plant and equipment		(90,166)	
Provision for doubtful debts	400,194	167,146	
Deferred taxes	(37,526)	(266,294)	
Minority interests	(443,540)	55,716	
Changes in operating assets and liabilities:			
Trade receivables	(754,658)	332,743	
Other receivables	(2,314,944)	(1,120,560)	
Advances to staff	103,754	(471,974)	
Prepayments	(294,142)	1,891,244	
Inventories	(983,695)	(2,226,075)	
Trade payables	3,841,014	2,348,791	
Bills payable	(66,665)	(399,500)	
Other payables and accrued expenses	(2,928,453)	(1,869,708)	
Sales receipt in advance	2,577,175	677,471	
Amount due to a director	(550,385)	561,972	
Amount due from an unconsolidated affiliate	(588,768)		
Income tax payable	(10,118)		
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net cash flows (used in)/provided by operating activities	(3,356,157)	2,062,403	
<b>Cash flows from investing activities</b>			
Payments to acquire property, plant and equipment	(1,642,144)	(4,077,657)	
Proceeds from disposal of property, plant and equipment		950,528	
Payment to acquire land use right	(221,742)	(42,130)	
Net cash inflow from acquisition of Fuxin Hengrui - Note 3a			325,184
Net cash outflow from acquisition of Xianheng - Note 3b	(47,450)		
Payment to acquire an unconsolidated affiliate	(131,355)		
Decrease in restricted cash	70,036	395,938	
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net cash flows (used in)/provided by investing activities	(1,972,655)	(2,773,321)	325,184

**Dollar Come Investments Limited**  
**Consolidated Statements of Cash Flows (Cont d)**  
**(Stated in US Dollars)**

	Year ended December 31,		For the period from February 12, 2004 to December 31, 2004
	2006	2005	
<b>Cash flows from financing activities</b>			
Proceeds from bank loans	\$ 10,917,529	\$ 7,796,360	\$
Repayment of bank loans	(5,154,220)	(7,332,000)	
Issuance of share			1
<b>Net cash flows provided by financing activities</b>	<b>5,763,309</b>	<b>464,360</b>	<b>1</b>
<b>Effect of foreign currency translation on cash and cash equivalents</b>	<b>11,654</b>	<b>4,430</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>446,151</b>	<b>(242,128)</b>	<b>325,185</b>
<b>Cash and cash equivalents - beginning of period</b>	<b>83,057</b>	<b>325,185</b>	
<b>Cash and cash equivalents - end of period</b>	<b>\$ 529,208</b>	<b>\$ 83,057</b>	<b>\$ 325,185</b>
<b>Supplemental disclosures for cash flow information:</b>			
Major non-cash transaction: 89.15% equity interest of Fuxin Hengrui contributed by Madam Tan Lin	\$	\$	\$ 7,750,603
<b>Cash paid for:</b>			
Interest	\$ 505,354	\$ 403,163	\$
Income taxes	35,896		

See the accompanying notes to consolidated financial statements

**Dollar Come Investments Limited**  
**Consolidated Statements of Stockholders Equity**  
**(Stated in US Dollars)**

	Common stock Amount (Note 22)	Additional paid-in capital	Statutory reserves (Note 23)	Accumulated other comprehensive income	Retained earnings/ (losses)	Total
Issuance of share	\$ 1	\$	\$	\$	\$	\$ 1
89.15% interest in Fuxin Hengrui contributed by Madam Tan Lin		7,750,603				7,750,603
Balance, December 31, 2004	1	7,750,603				7,750,604
Net income					457,798	457,798
Foreign currency translation adjustments				198,908		198,908
Appropriation to reserves			79,446		(79,446)	
Balance, December 31, 2005	1	7,750,603	79,446	198,908	378,352	8,407,310
Net loss					(3,645,717)	(3,645,717)
Foreign currency translation adjustments				206,951		206,951
Balance, December 31, 2006	\$ 1	\$ 7,750,603	\$ 79,446	\$ 405,859	\$ (3,267,365)	\$ 4,968,544

See the accompanying notes to consolidated financial statements



**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**1. Corporate information and reorganization**

Dollar Come Investments Limited ( Dollar Come or the Company ) was incorporated on February 12, 2004 in the British Virgin Islands (the BVI ) with authorized common stock of \$50,000 divided into 50,000 ordinary shares of \$1 each. On July 2, 2004, 1 ordinary share of \$1 each was issued at par for cash to Madam Tan Lin ( Madam Tan ) who is also one of the directors of the Company. During the reporting periods, it acted as an investment holding company only and did not have any other activities. The Company intends to go public in the US through a reverse acquisition of a US publicly traded company.

As of December 31, 2006, the Company has two subsidiaries and an unconsolidated affiliate with details as below :-

Company name	Place/date of incorporation or establishment	The Company's effective ownership interest	Common stock/ registered capital	Principal activities
Fuxin Hengrui Technology Co., Ltd. ( Fuxin Hengrui )	The People's Republic of China ( PRC )/ September 18, 2002	89.15% directly held by the Company	Registered capital of \$5,030,000 fully paid up	Manufacturing and distribution of float glasses
Fuxin Xianheng Float-Glass Co., Ltd. ( Xianheng )	PRC/ April 1, 2004	25% directly held by the Company and 66.86% indirectly held through Fuxin Hengrui	Registered capital of \$60,500 fully paid up	Not yet commenced business
Fuxin Hengrui Tianyuan New Energy Sources Co., Ltd. ( Tianyuan )	PRC/ May 17, 2006	32.2% indirectly held through Fuxin Hengrui	Registered capital of \$1,251,000 and \$375,000 fully paid up	Manufacturing of coal water mixture to assess energy alternative for industrial boiler

During the reporting periods, the Company and its subsidiaries have undergone a series of reorganization during the reporting periods to rationalize the group structure and for the potential fund raising exercise.

Madam Tan was a substantial stockholder holding Fuxin Hengrui and Xianheng through various companies and herself before the reorganization as detailed in the following paragraphs.

**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**1. Corporate information and reorganization (Cont d)**

Fuxin Hengrui was incorporated in the PRC on September 18, 2002 with registered capital of \$5,030,000 (RMB41,600,000, which are not divided into shares) and engaged in manufacture and distribution of float glasses. Before December 27, 2004, 65% and 35% equity interest of Fuxin Hengrui was held by a PRC Company and a United States Company (the U.S. Company) respectively. On December 27, 2004, Dollar Come acquired 54.15% equity interest of Fuxin Hengrui from the PRC Company and the entire 35% equity interest of Fuxin Hengrui from the U.S. Company at a total consideration of \$7,750,603 same as the attributable share of fair value of acquired identifiable net assets of Fuxin Hengrui. The funding of the consideration was contributed by Madam Tan. On the same date, Mr. Song Lihui, who is a director of Fuxin Hengrui, acquired the remaining 10.85% equity interest of Fuxin Hengrui from the PRC Company. On June 2, 2005, Mr. Song Lihui sold his entire 10.85% equity interest to Advance Sun Group Limited (Advance Sun), which was incorporated in BVI. Following the disposal, Fuxin Hengrui has been changed from Sino-Foreign Enterprises into Wholly Foreign Owned Enterprises (WFOE). On January 1, 2007, Dollar Come acquired 10.85% equity interest of Fuxin Hengrui from Advance Sun at a total consideration of \$995,400 and thereafter Fuxin Hengrui become a wholly-owned subsidiary of Dollar Come.

Xianheng was incorporated in the PRC on April 1, 2004 with registered capital of \$60,500 (RMB500,000, which are not divided into shares) of which 60% equity interest was held by Madam Tan and the remaining 40% equity interest was held by a PRC Company in which Madam Tan Lin was a substantial stockholder. On October 17, 2005, Dollar Come and another PRC Company acquired 25% and 35% equity interest of Xianheng from Madam Tan respectively. On September 21, 2006, Fuxin Hengrui acquired 75% equity interest of Xianheng from two independent legal entities. Following the acquisition, the effective equity interest of Xianheng held by Dollar Come was 91.86%. During the reporting periods, Xianheng did not have any business activities.

On May 17, 2006, Fuxin Hengrui together with one of the directors of Fuxin Hengrui established Tianyuan in the PRC with registered capital of \$1,251,000 (RMB10 million, which are not dividend into shares). Pursuant to a special resolution passed on October 12, 2007, the registered capital of Tianyuan was reduced from \$1,251,000 to \$375,000 and the application was still in progress. On May 16, 2006, according to the payment schedule, Fuxin Hengrui contributed of \$131,355 to its registered capital representing 35% equity interest thereon. Tianyuan is principally engaged in manufacturing of coal water mixture to assess energy alternative for industrial boiler. More details and accounting treatment on investment in Tianyuan are set out in note 4.

We accounted for the acquisition of both Fuxin Hengrui and Xianheng using the purchase accounting method and more details and accounting treatment on investment in them are set out in note 3.

**2. Description of business**

The Company is a holding company whose primary business operations are conducted through its subsidiaries located in the Liuling Province of the PRC. Through its operating subsidiaries, the Company manufactures and distributes of float glasses.

The raw materials used in production are mainly divided into four groups, namely soda ash, heavy oils, silica sand and dolomite, which are primary sourced from suppliers located in the PRC. The production facilities of the Company are located in Liuling Province of the PRC.

**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**3. Basis of preparation**

The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America.

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation. The results of subsidiary acquired or disposed of during the years are included in the consolidated statement of income and comprehensive income from the effective date of acquisition or up to the date of disposal.

- (a) The Company acquired 89.15% equity interest in Fuxin Hengrui on December 27, 2004.  
The fair value of Fuxin Hengrui as of December 27, 2004 was as follows :-

Cash and cash equivalents	\$ 325,184
Restricted cash	883,300
Trade receivables	1,023,330
Other receivables and prepayments	3,944,131
Property, plant and equipment, net	24,877,596
Land use right	2,494,657
Inventories	2,187,934
Other assets	359,052
Other payables and accrued expenses	(14,024,311)
Dividend payable	(1,089,000)
Other liabilities	(12,287,982)
	<hr/>
Net assets	\$ 8,693,891
	<hr/>
89.15% equity interest acquired	\$ 7,750,603
Goodwill	
	<hr/>
Consideration contributed by Madam Tan	\$ 7,750,603
	<hr/>

As of December 31, 2004, no goodwill was recognized in the consolidated balance sheet upon the acquisition of 89.15% equity interest in Fuxin Hengrui since the consideration of \$7,750,603 was same as the attributable share of fair value of acquired identifiable net assets of Fuxin Hengrui at the time of acquisition on December 27, 2004.

The following unaudited pro forma financial information presents the combined results of the Company with the audited results of Fuxin Hengrui for the fiscal year 2004 as if the acquisition had occurred as of February 12, 2004 :

(Audited)

Revenue	\$ 25,427,426
Net income	\$ 5,320,546

This unaudited pro forma financial information is presented for informational purposes only. The unaudited pro forma financial information may not necessarily reflect the future results of operations or the results of operations would have been had the Company owned and operated this business as of the beginning of the period presented.



**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**3. Basis of preparation (Cont d)**

- (b) The Company and Fuxin Hengrui acquired 25% and 75% equity interest in Xianheng at a cash purchase price of \$15,475 and \$47,476 on October 17, 2005 and September 21, 2006 respectively. The fair value of Xianheng as of October 17, 2005 and September 21, 2006 was as follows :-

	As of October 17, 2005	As of September 21, 2006
Cash and cash equivalents	\$ 18	\$ 26
Other receivables	139,277	142,426
Property, plant and equipment		32,172
Amount due to Fuxin Hengrui	(77,437)	(115,700)
Net assets	\$ 61,858	\$ 58,924

As of December 31, 2006, the consolidated balance sheet reflects a goodwill identified on acquisition of Xianheng amounted to \$3,293 which represents the excess of the purchase price of \$15,475 over the attributable share (that is 25%) of fair value of acquired identifiable net assets of Xianheng amounted to \$15,465 and the excess of the purchase price of \$47,476 over the attributable share (that is 75%) of fair value of acquired identifiable net assets of Xianheng amounted to \$44,193.

**4. Summary of significant accounting policies**

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. Pursuant to the provisions of SFAS No. 142 Goodwill and Other Intangible Assets, goodwill is not amortized and is subjected to an annual impairment test which occurs in the fourth quarter of each fiscal year.

Goodwill will be written down only when and if impairment is identified and measured, based on future events and conditions.

Minority interests

Minority interests resulted from the consolidation of 89.15% and 91.86% owned subsidiaries, Fuxin Hengrui and Xianheng respectively, where the Company has control over their operations.

Investment in an unconsolidated affiliate

In the fiscal year 2005, the Company accounts for the 25% investment in Xianheng (an investment in which the Company exercises significant influence but does not control) using the equity method, under which the share of Xianheng's results is recognized in the period in which it is incurred by Xianheng. As of December 31, 2005, the investment in an unconsolidated affiliate of \$15,475 (RMB125,000) represents attributable share of the underlying net assets of Xianheng.

In the fiscal year 2006, the Company accounts for the 32.2% investment in Tianyuan (an investment in which the Company exercises significant influence but does not control) using the equity method, under which the share of Tianyuan's net loss is recognized in the period in which it is incurred by Tianyuan. As of December 31, 2006, the investment in an unconsolidated affiliate of \$99,051 (RMB792,802) represents attributable share of the underlying net assets of Tianyuan.

**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**4. Summary of significant accounting policies (Cont d)**

Use of estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. These accounts and estimates include, but are not limited to, the valuation of accounts receivable, inventories, deferred income taxes, provision for warranty and the estimation on useful lives of property, plant and equipment. Actual results could differ from those estimates.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, trade receivables and other receivables. As of December 31, 2006, 2005 and 2004, substantially all of the Company's cash and cash equivalents and restricted cash were held by major financial institutions located in the PRC, which management believes are of high credit quality. With respect to other receivables and trade receivables, the Company extends credit based on an evaluation of the customer's financial condition. The Company generally does not require collateral for trade receivables and other receivables which maintains an allowance for doubtful accounts of trade receivables and other receivables.

Cash and cash equivalents

Cash and cash equivalents include all cash, deposits in banks and other highly liquid investments with initial maturities of three months or less to be cash equivalents. As of December 31, 2006, 2005 and 2004, almost all the cash and cash equivalents were denominated in Renminbi ( RMB ) and were placed with banks in the PRC. They are not freely convertible into foreign currencies and the remittance of these funds out of the PRC is subject to exchange control restrictions imposed by the PRC government. The remaining insignificant balance of cash and cash equivalents were denominated in US dollars.

Restricted Cash

Deposits in banks pledged as securities for bills payable (note 8) that are restricted in use are classified as restricted cash under current assets.

**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**4. Summary of significant accounting policies (Cont d)**

Allowance of doubtful accounts

The Company establishes an allowance for doubtful accounts based on management's assessment of the collectibility of trade receivables and other receivables. A considerable amount of judgment is required in assessing the amount of the allowance, the Company considers the historical level of credit losses and applies percentages to aged receivable categories. The Company makes judgments about the creditworthiness of each customer based on ongoing credit evaluations, and monitors current economic trends that might impact the level of credit losses in the future. If the financial condition of the customers were to deteriorate, resulting in their inability to make payments, a larger allowance may be required.

Based on the above assessment, during the reporting years, the management establishes the general provisioning policy to make allowance equivalent to 10% of gross amount of trade receivables and other receivables due over 6-12 months, 25% gross amount of trade receivables and other receivables due over 1-2 years and 50% of gross amount of trade receivables and other receivables due over 2-3 years and 100% of gross amount of trade receivables and other receivables due over 3 years. Additional specific provision is made against trade receivables aged less than 6 months to the extent which they are considered to be doubtful.

Bad debts are written off when identified. The Company extends unsecured credit to customers ranging from three to six months in the normal course of business. The Company does not accrue interest on trade receivables.

Historically, losses from uncollectible accounts have not significantly deviated from the general allowance estimated by the management and no significant additional bad debts have been written off directly to the profit and loss. This general provisioning policy has not changed in the past since establishment and the management considers that the aforementioned general provisioning policy is adequate and not too excessive and does not expect to change this established policy in the near future.

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined on a weighted average basis and includes all expenditures incurred in bringing the goods to the point of sale and putting them in a saleable condition. In assessing the ultimate realization of inventories, the management makes judgments as to future demand requirements compared to current or committed inventory levels. Our reserve requirements generally increase as our projected demand requirements; decrease due to market conditions, product life cycle changes. The Company estimates the demand requirements based on market conditions, forecasts prepared by its customers, sales contracts and orders in hand.

In addition, the Company estimates net realizable value based on intended use, current market value and inventory ageing analyses. The Company writes down the inventories for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventories and the estimated market value based upon assumptions about future demand and market conditions.

Based on the above assessment, the Company establishes a general provision to make a 50% provision for inventories aged over 1 year. As of December 31, 2006, 2005 and 2004, no general provision for inventories were provided.

Historically, the actual net realizable value is close to the management estimation.

**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**4. Summary of significant accounting policies (Cont d)**

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

Depreciation is provided on straight-line basis over their estimated useful lives. The principal depreciation rates are as follows :-

	<u>Annual rate</u>	<u>Residual value</u>
Buildings	1.9%	5%
Plant and machinery	9.5%	5%
Motor vehicles	11.875%	5%
Office equipment	19%	5%
Tools	9.5%	5%
Leasehold improvements	12.5%	Nil

Construction in progress mainly represents expenditures in respect of the Company's warehouses and factories under construction. All direct costs relating to the acquisition or construction of the Company's warehouses and factories are capitalized as construction in progress. No depreciation is provided in respect of construction in progress.

Maintenance or repairs are charged to expense as incurred. Significant improvements and renewals that extend the useful life of the asset are capitalized. Upon sale or disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount less proceeds from disposal is charged or credited to income.

Land use right

Land use right is stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the terms of the lease of 50 years obtained from the relevant PRC land authority.

Impairment of long-lived assets

Long-lived assets are tested for impairment in accordance with SFAS No. 144 and Accounting Principles Board ( APB ) Opinion 18, Equity Method of Accounting for Investments in Common Stock, respectively. The Company periodically evaluates potential impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Company recognizes impairment of long-lived assets and investment in an affiliate in the event that the net book values of such assets exceed the future undiscounted cashflows attributable to such assets. During the reporting periods, the Company has no identified any indicators that would require testing for impairment.

Revenue recognition

Revenue from sales of the Company's products is recognized when the significant risks and rewards of ownership have been transferred to the buyer, the sales price is fixed or determinable and collection is reasonably assured.



**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**4. Summary of significant accounting policies (Cont d)**

Advertising and transportation expenses

Advertising, transportation and other product-related costs are charged to expense as incurred.

Advertising expenses amounted to \$2,493, \$Nil and \$Nil for two years ended December 31, 2006 and 2005 and the period from February 12, 2004 to December 31, 2004 respectively are included in selling expenses.

Transportation expenses amounted to \$641,975, \$338,344 and \$Nil for two years ended December 31, 2006 and 2005 and the period from February 12, 2004 to December 31, 2004 respectively are included in selling expenses.

Stock-based compensation

During the reporting periods, the Company did not make any stock-based compensation payments.

Government grant

Government grant income represents the cash receipt from the relevant government authorities for technical development. Government grant is recognized as income at the time when the approval documents are obtained from the relevant government authorities and when they are received.

Income taxes

The Company uses the asset and liability method of accounting for income taxes pursuant to SFAS No. 109 Accounting for Income Taxes . Under the asset and liability method of SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statements carrying amounts of existing assets and liabilities and loss carryforwards and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Off-balance sheet arrangements

The Company does not have any off-balance sheet arrangements.

Comprehensive income

The Company has adopted SFAS 130, Reporting Comprehensive Income , which establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Components of comprehensive income/(loss) include net income and foreign currency translation adjustments.

**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**4. Summary of significant accounting policies (Cont d)**

Foreign currency translation

The functional currency of the Company is RMB and RMB is not freely convertible into foreign currencies. The Company maintains its financial statements in the functional currency. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet date. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchanges rates prevailing at the dates of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income for the respective periods.

For financial reporting purposes, the financial statements of the Company which are prepared using the functional currency have been translated into United States dollars. Assets and liabilities are translated at the exchange rates at the balance sheet dates and revenue and expenses are translated at the average exchange rates and stockholders' equity is translated at historical exchange rates. Any translation adjustments resulting are not included in determining net income but are included in foreign exchange adjustment to other comprehensive income, a component of stockholders' equity. The exchange rates in effect at December 31, 2006, 2005 and 2004 were RMB1 for \$0.1282, \$0.1240 and \$0.1210 respectively. There is no significant fluctuation in exchange rate for the conversion of RMB to US dollars after the balance sheet date.

Fair value of financial instruments

The carrying values of the Company's financial instruments, including cash and cash equivalents, restricted cash, trade and other receivables, dividend payable, trade, bills and other payables approximate their fair values due to the short-term maturity of such instruments. The carrying amounts of bank borrowings approximate their fair values because the applicable interest rates approximate current market rates.

It is management's opinion that the Company is not exposed to significant interest, price or credit risks arising from these financial instruments.

In respect of foreign currency risk, the Company is exposed to this risk arising from import purchase transactions and recognized trade payables as they will affect the future operating results of the Company. The Company did not have any hedging transactions during the reporting periods. As the functional currency of the Company is RMB, the exchange difference on translation to US dollars for reporting purpose is taken to other comprehensive income.

Basic and diluted (loss)/earnings per share

The Company reports basic earnings per share in accordance with SFAS No. 128, Earnings Per Share. Basic earnings/(loss) per share is computed using the weighted average number of shares outstanding during the periods presented. The weighted average number of shares of the Company represents the common stock outstanding during the reporting periods.

**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**4. Summary of significant accounting policies (Cont d)**

Recently issued accounting pronouncements

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections ( SFAS 154 ), which changes the requirements for the accounting for and reporting of a change in accounting principle. The statement requires retrospective application to prior period financial statements of changes in accounting principle, unless impracticable to do so. It also requires that a change in the depreciation, amortization, or depletion method for long-lived non-financial assets be accounted as a change in accounting estimate, effected by a change in accounting principle. Accounting for error corrections and accounting estimate changes will continue under the guidance in APB Opinion 20, Accounting Changes, as carried forward in this pronouncement. The statement is effective for fiscal years beginning after December 15, 2005.

In November 2005, the FASB issued FSP Nos. FAS 115-1 and 124-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments . This FSP addresses the determination as to when an investment is considered impaired, whether the impairment is other-than-temporary , and the measurement of an impairment loss. The investment is impaired if the fair value is less than cost. The impairment is other-than-temporary for equity securities and debt securities that can contractually be prepaid or otherwise settled in such a way that the investor would not recover substantially all of its cost. If other-than-temporary , an impairment loss shall be recognized in earnings equal to the difference between the investment s cost and its fair value. The guidance in this FSP is effective in reporting periods beginning after December 15, 2005.

In February 2006, the Financial Accounting Standards Board ( FASB ) issued SFAS No. 155 Accounting for Certain Hybrid Financial Instruments: and amendment of FASB Statements No. 133 and 140 . SFAS No. 155 simplifies the accounting for certain derivatives embedded in other financial instruments by allowing them to be accounted for as a whole if the holder elects to account for the whole instrument on a fair value basis. SFAS No. 155 also clarifies and amends certain other provisions of SFAS No. 133 and SFAS No. 140. SFAS No. 155 is effective for all financial instruments acquired, issued or subject to a remeasurement event occurring in fiscal years beginning after September 15, 2006. Earlier adoption is permitted, provided the Company has not yet issued financial statements, including for interim periods, for that fiscal year.

In March 2006, the FASB released SFAS No. 156 Accounting for Servicing of Financial Assets: an amendment of FASB Statement No. 140 to simplify accounting for separately recognized servicing assets and servicing liabilities. SFAS No. 156 permits an entity to choose either the amortization method or the fair value measurement method for measuring each class of separately recognized servicing assets and servicing liabilities after they have been initially measured at fair value. SFAS No. 156 applies to all separately recognized servicing assets and liabilities acquired or issued after the beginning of an entity s fiscal year that begins after September 15, 2006.

In July 2006, the FASB issued FIN 48 Accounting for Uncertainty in Income Taxes . This interpretation requires that the entity recognize in its financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technology merits of the position. The provisions of FIN 48 is effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings.

**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**4. Summary of significant accounting policies (Cont d)**

Recently issued accounting pronouncements (cont d)

In September 2006, the FASB issued SFAS No. 157 Fair Value Measurement . SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This Statement shall be effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including any financial statements for an interim period within that fiscal year. The provisions of this statement should be applied prospectively as of the beginning of the fiscal year in which this Statement is initially applied, except in some circumstances where the statement shall be applied retrospectively.

In September 2006, the FASB released SFAS No. 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plans: an amendment of FASB Statements No. 87, 88, 106, and 132(R) which requires an employer to recognize the over funded or under funded status of defined benefit and other postretirement plans as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through an adjustment to comprehensive income. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions.

In September 2006, the SEC issued SAB No. 108, which provides guidance on the process of quantifying financial statement misstatements. In SAB No. 108, the SEC staff establishes an approach that requires quantification of financial statement errors, under both the iron-curtain and the roll-over methods, based on the effects of the error on each of the Company s financial statements and the related financial statement disclosures. SAB No. 108 is generally effective for annual financial statements in the first fiscal year ending after November 15, 2006. The transition provisions of SAB No. 108 permits existing public companies to record the cumulative effect in the first year ending after November 15, 2006 by recording correcting adjustments to the carrying values of assets and liabilities as of the beginning of that year with the offsetting adjustment recorded to the opening balance of retained earnings.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115 ( SFAS 159 ). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with few exceptions. SFAS 159 also establishes presentation and disclosure requirements to facilitate comparisons between companies that choose different measurement attributes for similar assets and liabilities. The requirements of SFAS 159 are effective for our fiscal year beginning January 1, 2008. We are in the process of evaluating this standard and therefore have not yet determined the impact that SFAS 159 will have on our financial statements upon adoption.

The Company has adopted all the above accounting procurements effective January 1, 2006 and considers that they have no material impact on these consolidated financial statements.

**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**5. Finance costs**

	Year ended December 31,		For the
	2006	2005	period from February 12, 2004 to December 31, 2004
Interest expenses	\$ 690,413	\$ 373,438	\$
Bills discounting charges		12,626	
Bank charges and net exchange loss	74,041	13,460	
	<u>\$ 764,454</u>	<u>\$ 399,524</u>	<u>\$</u>

**6. Income taxes**

BVI

The Company were incorporated in the BVI and, under the current laws of the BVI, not subject to income taxes.

PRC

Enterprises income tax ( EIT ) to the subsidiaries of the Company in the PRC is charged at 33%, of which 30% is for national tax and 3% for local tax, of the assessable profits. As approved by the relevant tax authority in the PRC, Fuxin Hengrui was entitled to two years exemption, from the first profit making calendar year of operations after offset of accumulated taxable losses, followed by 50% tax reduction for the immediate next three calendar years ( tax holiday ). Fuxin Hengrui has elected not to commence the entitlement of tax holiday in the first profit making fiscal financial year of 2003 and thus had current tax payable in the prior period. The tax holiday of Fuxin Hengrui commenced in the fiscal year 2004. Accordingly, Fuxin Hengrui will be exempted from EIT for 2004 and 2005 and thereafter entitled to a 50% reduction on EIT tax rate at 16.5% for 2006, 2007 and 2008.

The components of the provision/(benefit) for income taxes from continuing operations are :

	Year ended December 31,		For the
	2006	2005	period from February 12, 2004 to December 31, 2004
Current taxes - PRC	\$ 25,778	\$	\$
Deferred taxes - PRC	(37,526)	(266,294)	
	<u>\$ (11,748)</u>	<u>\$ (266,294)</u>	<u>\$</u>

**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**6. Income taxes (Cont d)**

The effective income tax expenses differs from the PRC statutory income tax rate of 33% from continuing operations in the PRC as follows :-

	Year ended December 31,		For the
	2006	2005	period from February 12, 2004 to December 31, 2004
Provision for income taxes at statutory income tax rate	\$ (1,353,332)	\$ 81,582	\$
Non-deductible items for tax	1,526,259	116,381	
Income not subject to tax	(170,905)	(255,394)	
Tax holiday	(25,778)	(294,077)	
Decrease in deferred tax assets resulting from a reduction of PRC enterprise income tax rate	12,008	85,214	
	<u>\$ (11,748)</u>	<u>\$ (266,294)</u>	<u>\$</u>

Deferred tax assets/(liabilities) as of December 31, 2006, 2005 and 2004 are composed of the following :-

	As of December 31,		
	2006	2005	2004
<b>The PRC</b>			
Current deferred tax assets:			
Allowance of doubtful debts	\$ 160,079	\$ 56,061	\$ 13,328
Accrued liabilities	44,870	24,800	12,100
	<u>\$ 204,949</u>	<u>\$ 80,861</u>	<u>\$ 25,428</u>
Non current deferred tax assets/(liabilities):			
Depreciation of property, plant and equipment	\$ (205,197)	\$ (118,842)	\$ 13,083
Amortization of land use right	42,445	22,706	9,425
Deferred expenses	326,264	334,616	
	<u>\$ 163,512</u>	<u>\$ 238,480</u>	<u>\$ 22,508</u>

On March 16, 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"). The new CIT Law reduces the corporate income tax rate from 33% to 25% with effect from January 1, 2008. The tax rate

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reduction will also impact the carrying value of deferred tax assets as a result of new tax rate.

### 7. **(Loss)/earnings per share**

During the reporting periods, the Company had no dilutive instruments. Accordingly, the basic and diluted (loss)/earnings per share are the same.

- 20 -

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**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**8. Restricted cash, bills and trade payables**

	As of December 31,		
	2006	2005	2004
Bank deposits held as collateral for bills payable	\$ 448,996	\$ 503,430	\$ 883,300

When the Company intends or is requested to settle its suppliers by issuance of bills, it is required to place deposits with banks equal to 100% of the bills amount at the time of issuance. These deposits will be used to settle the bills at maturity.

The Company is requested by certain of its suppliers to settle by issuance of bills for which the banks add their undertakings to guarantee their settlement at maturity. These bills are interest-free with maturity of three to six months from date of issuance. As security for the banks undertakings, the Company is required to deposit with such banks equal to 100% of the bills amount at the time of issuance and pay bank charges.

Trade payables represent trade creditors on open account. They are interest-free and unsecured. The normal credit term given by these suppliers to the Company ranges from one to three months.

**9. Trade receivables**

	As of December 31,		
	2006	2005	2004
Trade receivables	\$ 1,527,557	\$ 732,466	\$ 1,044,222
Allowance of doubtful accounts	(215,062)	(108,244)	(20,892)
	\$ 1,312,495	\$ 624,222	\$ 1,023,330

The Company incurred \$101,060, \$85,573 and \$Nil of doubtful debt expense for two years ended December 31, 2006 and 2005 and the period from February 12, 2004 to December 31, 2004 respectively.

**10. Other receivables**

	As of December 31,		
	2006	2005	2004
Advances to third parties - Note 10a	\$ 4,679,857	\$ 2,331,354	\$ 1,156,012
Value added tax and other tax recoverable	117,503	12,706	18,150
Other receivables	1,152	1,116	4,718
	4,798,512	2,345,176	1,178,880
Allowance of doubtful accounts	(245,978)	(74,751)	(32,420)



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As of December 31,

\$	4,552,534	\$	2,270,425	\$	1,146,460
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Note :

- a. The amounts are interest-free, unsecured and repayable on demand.
- b. The Company incurred \$165,274, \$40,925 and \$Nil of doubtful debt expense of for two years ended December 31, 2006 and 2005 and the period from February 12, 2004 to December 31, 2004 respectively.

- 21 -

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**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**11. Advances to staff**

The amounts are interest-free, unsecured and repayable on demand. The Company incurred \$133,860, \$40,648 and \$Nil of doubtful debt expense of for two years ended December 31, 2006 and 2005 and the period from February 12, 2004 to December 31, 2004 respectively.

**12. Prepayments**

	As of December 31,		
	2006	2005	2004
Prepayment for raw materials	\$ 787,931	\$ 492,887	\$ 561,572
Prepayment for factory construction	30,655	35,464	1,320,699
Prepayment for factory tools	17,195	5,701	373,588
Prepayment for utilities expenses	97,235	78,002	214,059
	<u>\$ 933,016</u>	<u>\$ 612,054</u>	<u>\$ 2,469,918</u>

**13. Inventories**

	As of December 31,		
	2006	2005	2004
Raw materials	\$ 1,472,033	\$ 1,207,530	\$ 1,359,751
Finished goods	4,149,691	3,254,897	791,122
Consumables	35,834	38,618	37,061
	<u>\$ 5,657,558</u>	<u>\$ 4,501,045</u>	<u>\$ 2,187,934</u>

No (recovery of)/provision for obsolete inventories were (credited)/charged to operations for two years ended December 31, 2006 and 2005 and the period from February 12, 2004 to December 31, 2004.

**14. Property, plant and equipment**

	As of December 31,		
	2006	2005	2004
Costs:			
Buildings	\$ 13,531,965	\$ 11,805,695	\$ 10,425,381
Plant and machinery	17,165,082	16,373,810	15,965,992
Office equipment	96,250	69,499	54,037
Tools	163,706	158,343	154,512
Leasehold improvements	3,385,972	3,241,068	
Motor vehicles	412,361	347,502	923,048

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	As of December 31,		
	<u>                    </u>	<u>                    </u>	<u>                    </u>
	34,755,336	31,995,917	27,522,970
Accumulated depreciation	(6,928,581)	(4,481,642)	(2,645,374)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net	\$ 27,826,755	\$ 27,514,275	\$ 24,877,596
	<u>                    </u>	<u>                    </u>	<u>                    </u>

- 22 -

**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**14. Property, plant and equipment (Cont d)**

An analysis of buildings pledged to banks for banking loans (Note 21a) is as follows :-

	As of December 31,		
	2006	2005	2004
Costs:			
Buildings	\$ 7,899,528	\$ 3,196,092	\$
Accumulated depreciation	(704,010)	(157,692)	
Net	\$ 7,195,518	\$ 3,038,400	\$

  

	Year ended December 31,		For the period from February 12, 2004 to December 31, 2004
	2006	2005	
Depreciation	\$ 151,635	\$ 62,338	\$

During the reporting periods, depreciation is included in :-

	Year ended December 31,		For the period from February 12, 2004 to December 31, 2004
	2006	2005	
Cost of sales and overheads of inventories	\$ 2,116,065	\$ 1,665,099	\$
Other	132,529	295,821	
	\$ 2,248,594	\$ 1,960,920	\$

During the year ended December 31, 2005, property, plant and equipment with carrying amount of \$860,362 was disposed of at a total consideration of \$950,528 resulting in gain of \$90,166.

**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**15. Land use right**

	As of December 31,		
	2006	2005	2004
Right to use land	\$ 2,949,654	\$ 2,634,103	\$ 2,528,658
Accumulated amortization	(151,052)	(88,502)	(34,001)
	<u>\$ 2,798,602</u>	<u>\$ 2,545,601</u>	<u>\$ 2,494,657</u>

The Company obtained the right from the relevant PRC land authority for a period from November 20, 2002 to September 18, 2052 to use the lands on which the office premises, production facilities and warehouse of the Company are situated. This right was pledged to a bank for the bank loans granted to the Company (Note 21b).

During the two years ended December 31, 2006 and 2005, amortization amounted to \$58,345 and \$52,879 respectively.

The estimated aggregate amortization expenses for land use right for the five succeeding years is as follows :-

Year	
2007	\$ 58,345
2008	58,345
2009	58,345
2010	58,345
2011	58,345
	<u>\$ 291,725</u>

**16. Trademark**

The Company currently owns a trademark, namely Gold Elephant which was registered in the PRC. The cost of application has been recognized as an expenses when incurred.

**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**17. Other payables and accrued expenses**

	As of December 31,		
	2006	2005	2004
Accrued audit fee	\$ 179,480	\$ 99,200	\$ 48,400
Payable for acquisition of property, plant and equipment	753,183	919,482	542,634
Accruals for factory construction	1,649,093	1,829,695	2,372,091
Loans from related parties - Note 17a	71,368	366,140	1,355,064
Loans from third parties - Note 17b	6,957,053	8,764,762	8,719,179
Other accrued expenses	458,706	189,354	68,096
Other tax payable	134,341	515,712	654,253
Staff welfare payable - Note 17c	146,511	220,311	262,942
Other payables	12,047	8,807	1,652
	<u>\$ 10,361,782</u>	<u>\$ 12,913,463</u>	<u>\$ 14,024,311</u>

Note :-

- The amounts represent loans from related companies in which Madam Tan is a shareholder and are interest-free, unsecured and repayable on demand.
- The amounts are interest-free, unsecured and repayable on demand.
- Staff welfare payable represents accrued staff medical, industry injury claims, labor and unemployment insurances. All of which are third parties insurance and the insurance premiums are based on certain percentage of salaries. The obligations of the Company are limited to those premiums contributed by the Company.

**18. Sales receipt in advance**

The amount represents 100% sales deposit received from local customers.

**19. Dividend payable**

The amount represents the dividend declared by the directors of Fuxin Hengrui and payable to the ex-stockholders before the Company acquired 89.15% equity interest of Fuxin Hengrui.

**20. Amount due from an unconsolidated affiliate / amount due to a director**

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

**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**21. Secured short-term bank loans**

	As of December 31,		
	2006	2005	2004
Bank loans repayable as follows:			
Within 1 year	\$ 12,779,773	\$ 6,671,200	\$ 6,050,000

As of December 31, 2006, the Company's banking facilities were as follows :-

Facilities granted	Granted	Amount utilized	Unused
Secured bank loans	\$ 15,101,960	\$ 12,779,773	\$ 2,322,187

The above bank loans were secured by the following :-

- Property, plant and equipment with carrying value of \$7,195,518 (Note 14);
- Land use right with carrying value of \$2,798,602 (Note 15);
- Guarantee executed by Mr. Song Lihui who is a director of Fuxin Hengrui; and
- All the bank loans are denominated in RMB and carry interest rates ranging from 4.8675% to 6.045% per annum with maturity dates within 1 year.

During the reporting periods, there was no covenant requirement under the banking facilities granted to the Company.

**22. Commitments and contingencies**

a. Capital commitment

As of December 31, 2006, the Company had no capital commitments in respect of the acquisition of property, plant and equipment which contracted for but not provided in the financial statements.

b. Operating lease arrangement

As of December 31, 2006, the Company had one non-cancelable operating lease for its offices, factories and warehouses. The lease will expire in 2015 and the expected payments are as follows :-

Within one year	\$ 376,800
Two to five years	1,507,200
After five years	1,381,600
	<u>\$ 3,265,600</u>

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The rental expense relating to the operating leases was \$376,800 and \$103,870 for the two years ended December 31, 2006 and 2005 respectively.

- 26 -

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**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**22. Commitments and contingencies (cont d)**

c. Environmental

The Company's operations are subject to the laws and regulations in the PRC relating to the generation, storage, handling, transportation and discharge of certain materials, substances and waste into the environment, and various other health and safety matters. Governmental authorities have the power to enforce compliance with their regulations, and violators may be subject to fines, injunctions or both. The Company must devote substantial financial resources to ensure compliance, and the management believes that it is in substantial compliance with all the applicable laws and regulations.

The Company has not incurred any significant expenditure for environmental remediation, is currently not involved in any environmental remediation and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position, operating results or cash flows of the Company.

The Company incurred normal routine pollutant discharge fees of \$1,383 and \$3,788 for the two years ended December 31, 2006 and 2005 respectively.

**23. Common stock**

The common stock of the Company represented the issued and paid up share of \$1.

**24. Statutory reserves**

In accordance with the relevant laws and regulations of the PRC and articles of association of the Company, it is required to appropriate 10% of its net income, after offsetting any prior years' losses, to the statutory reserve. When the balance of such reserve reaches 50% of the registered capital, any further appropriation is optional. Upon approval from the board of directors of the Company, the statutory reserve can be used to offset accumulated losses or to increase registered capital.

**25. State pension contribution plan**

The Company has a defined contribution plan for all qualified employees in the PRC. The employer and its employees are each required to make contributions to the plan at the rates specified in the plan. The only obligation of the Company with respect to retirement scheme is to make the required contributions under the plan. No forfeited contribution is available to reduce the contribution payable in the future years. The defined contribution plan contributions were charged to the consolidated statements of operations. The Company contributed \$83,538 and \$79,675 for the two years ended December 31, 2006 and 2005 respectively.

**Dollar Come Investments Limited**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**26. Segment information**

The nature of the products, their production processes, the type of their customers and their distribution methods are substantially similar, they are considered as a single reportable segment under FAS 131, Disclosures about Segments of an Enterprise and Related Information .

All of the Company's long-lived assets are located in the PRC during the reporting periods. Geographic information about the revenues, which are classified based on the customers, is set out as follows :-

	Year ended December 31,		For the period from February 12, 2004 to December 31, 2004
	2006	2005	
PRC	\$ 25,139,321	\$ 23,069,590	\$
Others	5,106,213	1,507,735	
<b>Total</b>	<b>\$ 30,245,534</b>	<b>\$ 24,577,325</b>	<b>\$</b>

**27. Related party transactions**

Apart from the transactions as disclosed in notes 17a, 19, 20 and 21c to the financial statements, during the year ended December 31, 2006, the Company had the following transactions with Tianyuan :-

- Purchase of coal water mixture from Tianyuan amounted to \$1,203,390 based on a pre-agreed basis by both parties; and
- Rental income of \$18,840 from Tianyuan based on market value.

**28. Post balance sheet event**

On January 1, 2007, Dollar Come acquired 10.85% equity interest of Fuxin Hengrui from Advance Sun at a total consideration of \$995,400 and thereafter Fuxin Hengrui become a wholly-owned subsidiary of Dollar Come.

**Fuxin Hengrui Technology Co., Ltd**

Consolidated Financial Statements  
For each of the three years in the period ended  
December 31, 2006

(Stated in US dollars)

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**Fuxin Hengrui Technology Co., Ltd**  
**Consolidated Financial Statements**

**For each of the three years in the period ended December 31, 2006**

Index to Consolidated Financial Statements

	Pages
<u>Report of Independent Registered Public Accounting Firm</u>	1
<u>Consolidated Statements of Income and Other Comprehensive Income</u>	2
<u>Consolidated Balance Sheets</u>	3 - 4
<u>Consolidated Statements of Cash Flows</u>	5 - 6
<u>Consolidated Statements of Stockholders' Equity</u>	7
<u>Notes to Consolidated Financial Statements</u>	8 - 27

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of  
Fuxin Hengrui Technology Co., Ltd

We have audited the accompanying consolidated balance sheets of Fuxin Hengrui Technology Co., Ltd (the Company ) and its subsidiary as of December 31, 2006, 2005 and 2004, and the related consolidated statements of income and other comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiary as of December 31, 2006, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

PKF  
Certified Public Accountants  
Hong Kong, China  
January 15, 2008

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**Fuxin Hengrui Technology Co., Ltd**  
**Consolidated Statements of Income and Other Comprehensive Income**  
**(Stated in US Dollars)**

	Year ended December 31,		
	2006	2005	2004
<b>Revenue</b>			
Sales revenues - Note 27	\$ 30,245,534	\$ 24,577,325	\$ 25,427,426
Cost of sales	(31,727,456)	(23,012,780)	(19,765,611)
Gross (loss)/profit	(1,481,922)	1,564,545	5,661,815
<b>Operating expenses</b>			
Administrative expenses	1,672,277	1,332,680	1,202,971
Selling expenses	741,777	480,322	830,839
	2,414,054	1,813,002	2,033,810
(Loss)/income from operations	(3,895,976)	(248,457)	3,628,005
Interest income	16,496	12,112	37,947
Other income	105,056	138,891	112,491
Government grants - Note 5	471,251	744,198	2,503,490
Finance costs - Note 6	(764,454)	(399,524)	(488,739)
Equity in net loss of an unconsolidated affiliate	(32,304)		
(Loss)/income before income taxes	(4,099,931)	247,220	5,793,194
Income taxes - Note 7	11,748	266,294	42,352
Minority interests shares of loss	260		
Net (loss)/income	\$ (4,087,923)	\$ 513,514	\$ 5,835,546
<b>Other comprehensive income</b>			
Foreign currency translation adjustments	\$ 232,169	\$ 223,115	\$ 1,600
Comprehensive (deficit)/income	\$ (3,855,754)	\$ 736,629	\$ 5,837,146

See the accompanying notes to consolidated financial statements

**Fuxin Hengrui Technology Co., Ltd**  
**Consolidated Balance Sheets**  
**(Stated in US Dollars)**

As of December 31,

	2006	2005	2004
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 529,207	\$ 83,056	\$ 325,184
Restricted cash - Note 8	448,996	503,430	883,300
Trade receivables (net of allowance of doubtful accounts of \$215,062 in 2006, \$108,244 in 2005 and \$20,892 in 2004) - Note 9	1,312,495	624,222	1,023,330
Other receivables (net of allowance of doubtful accounts of \$245,978 in 2006, \$74,751 in 2005 and \$32,420 in 2004) - Note 10	4,552,534	2,270,425	1,146,460
Advances to staff (net of allowance of doubtful accounts of \$179,276 in 2006, \$41,247 in 2005 and \$Nil in 2004) - Note 11	497,978	491,344	202,116
Prepayments - Note 12	933,016	612,054	2,469,918
Inventories - Note 13	5,657,558	4,501,045	2,187,934
Amount due from an unconsolidated affiliate - Note 19	600,955		
Amount due from a director - Note 19	59,248	282,215	125,637
Amount due from Dollar Come - Note 20	16,025		
Deferred taxes - Note 7	204,949	80,861	25,428
<b>Total current assets</b>	<b>14,812,961</b>	<b>9,448,652</b>	<b>8,389,307</b>
Investment in an unconsolidated affiliate - Note 5	99,051		
Property, plant and equipment, net - Note 14	27,826,755	27,514,275	24,877,596
Construction in progress	52,471	18,805	311,116
Land use right - Note 15	2,798,602	2,545,601	2,494,657
Goodwill - Note 5	3,282		
Deferred taxes - Note 7	163,512	238,480	22,508
<b>TOTAL ASSETS</b>	<b>\$ 45,756,634</b>	<b>\$ 39,765,813</b>	<b>\$ 36,095,184</b>

**Fuxin Hengrui Technology Co., Ltd**  
**Consolidated Balance Sheets (Cont d)**  
**(Stated in US Dollars)**

	As of December 31,		
	2006	2005	2004
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
<b>LIABILITIES</b>			
Current liabilities			
Trade payables - Note 8	\$ 7,701,105	\$ 3,656,724	\$ 1,242,528
Bills payable - Note 8	448,700	499,815	883,300
Other payables and accrued expenses			
- Note 17	10,355,287	12,907,181	14,024,311
Sales receipt in advance - Note 18	7,577,617	4,785,020	3,998,435
Dividend payable	1,153,800	1,116,000	1,089,000
Income tax payable	26,311	35,439	34,581
Amounts due to directors - Note 19	124,624	663,914	79,138
Secured short-term bank loans - Note 21	12,779,773	6,671,200	6,050,000
	<u>40,167,217</u>	<u>30,335,293</u>	<u>27,401,293</u>
<b>TOTAL LIABILITIES</b>			
<b>COMMITMENTS AND CONTINGENCIES</b>			
- Note 22			
<b>MINORITY INTERESTS - Note 5</b>			
	<u>14,651</u>		
<b>STOCKHOLDERS EQUITY</b>			
Common stock - Note 23	5,030,000	5,030,000	5,030,000
Statutory reserves - Note 24	485,056	485,056	395,942
Accumulated other comprehensive income			
- Note 25	458,884	226,715	3,600
Retained (losses)/earnings	(399,174)	3,688,749	3,264,349
	<u>5,574,766</u>	<u>9,430,520</u>	<u>8,693,891</u>
<b>TOTAL STOCKHOLDERS EQUITY</b>			
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 45,756,634</b>	<b>\$ 39,765,813</b>	<b>\$ 36,095,184</b>

See the accompanying notes to consolidated financial statements



**Fuxin Hengrui Technology Co., Ltd**  
**Consolidated Statements of Cash Flows**  
**(Stated in US Dollars)**

Year ended December 31,

	2006	2005	2004
<b>Cash flows from operating activities</b>			
Net (loss)/income	\$ (4,087,923)	\$ 513,514	\$ 5,835,546
Adjustments to reconcile net (loss)/income to net cash flows (used in)/provided by operating activities:			
Depreciation	2,248,594	1,960,920	1,812,887
Amortization of land use right	58,345	52,879	24,792
Share of result of unconsolidated affiliate	32,304		
Gain on disposal of property, plant and equipment		(90,166)	
Provision for doubtful debts	400,194	167,146	53,312
Deferred taxes	(37,526)	(266,294)	(42,352)
Minority interests	(260)		
Changes in operating assets and liabilities:			
Trade receivables	(754,658)	332,743	(1,010,493)
Other receivables	(2,542,753)	(969,326)	3,948,866
Advances to staff	103,754	(471,974)	(327,753)
Prepayments	(294,142)	1,891,244	2,217,663
Inventories	(983,695)	(2,226,075)	(1,146)
Trade payables	3,841,013	2,348,791	(6,595,209)
Bills payable	(66,665)	(399,500)	(4,044,152)
Other payables and accrued expenses	(2,928,453)	(1,882,090)	(6,683,101)
Sales receipt in advance	2,577,175	677,471	2,028,726
Amount due to a director	(550,385)	574,354	85,187
Amounts due from directors	227,810	(151,234)	(125,637)
Amount due from an unconsolidated affiliate	(588,768)		
Income tax payable	(10,118)		
Net cash flows (used in)/provided by operating activities	(3,356,157)	2,062,403	(2,822,864)
<b>Cash flows from investing activities</b>			
Payments to acquire property, plant and equipment	(1,642,144)	(4,077,657)	(434,392)
Proceeds from sales of property, plant and equipment		950,528	208,053
Payment to acquire land use right	(221,742)	(42,130)	(1,920,872)
Payment to acquire a subsidiary	(47,450)		
Payment to acquire an unconsolidated affiliate	(131,355)		
Decrease in restricted cash	70,036	395,938	951,553
Net cash flows used in investing activities	\$ (1,972,655)	\$ (2,773,321)	\$ (1,195,658)

**Fuxin Hengrui Technology Co., Ltd**  
**Consolidated Statements of Cash Flows (Cont d)**  
**(Stated in US Dollars)**

Year ended December 31,

	2006	2005	2004
<b>Cash flows from financing activities</b>			
Proceeds from bank loans	\$ 10,917,529	\$ 7,796,360	\$ 9,680,000
Repayment of bank loans	(5,154,220)	(7,332,000)	(8,470,000)
Proceeds from capital injection			2,613,223
<b>Net cash flows provided by financing activities</b>	<b>5,763,309</b>	<b>464,360</b>	<b>3,823,223</b>
Effect of foreign currency translation on cash and cash equivalents	11,654	4,430	
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>446,151</b>	<b>(242,128)</b>	<b>(195,299)</b>
Cash and cash equivalents - beginning of period	83,056	325,184	520,483
<b>Cash and cash equivalents - end of period</b>	<b>\$ 529,207</b>	<b>\$ 83,056</b>	<b>\$ 325,184</b>
<b>Supplemental disclosures for cash flow information:</b>			
<b>Cash paid for:</b>			
Interest	\$ 505,354	\$ 432,887	\$ 420,701
Income taxes	35,896		

See the accompanying notes to consolidated financial statements

**Fuxin Hengrui Technology Co., Ltd**  
**Consolidated Statements of Stockholders Equity (Stated in US Dollars)**

	Common stock Amount (Note 23)	Statutory reserves (Note 24)	Accumulated other comprehensive income (Note 25)	Retained earnings/ (losses)	Total
Balance, January 1, 2004	\$ 2,418,376	\$	\$ 2,000	\$ (1,086,255)	\$ 1,334,121
Net income				5,835,546	5,835,546
Foreign currency translation adjustments			1,600		1,600
Appropriation to reserves		395,942		(395,942)	
Capital injection	2,611,624				2,611,624
Dividend				(1,089,000)	(1,089,000)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balance, December 31, 2004	5,030,000	395,942	3,600	3,264,349	8,693,891
Net income				513,514	513,514
Foreign currency translation adjustments			223,115		223,115
Appropriation to reserves		89,114		(89,114)	
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balance, December 31, 2005	5,030,000	485,056	226,715	3,688,749	9,430,520
Net loss				(4,087,923)	(4,087,923)
Foreign currency translation adjustments			232,169		232,169
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balance, December 31, 2006	\$ 5,030,000	\$ 485,056	\$ 458,884	\$ (399,174)	\$ 5,574,766
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

See the accompanying notes to consolidated financial statements

**Fuxin Hengrui Technology Co., Ltd**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**1. Change of company name**

On July 30, 2003, the Company changed its name from Fuxin Guang Ya High-Tech Glass Co., Ltd to Fuxin Hengrui Technical Co., Ltd. On November 21, 2007 the Company further changed its name from Fuxin Hengrui Technical Co., Ltd to Fuxin Hengrui Technology Co., Ltd ( Fuxin Hengrui ).

**2. Corporate information**

The Company was incorporated in the People's Republic of China (the PRC ) on September 18, 2002 and engaged in manufacture and distribution of float glasses. Currently, the Company has a subsidiary, Fuxin Xianheng Float-Glass Co., Ltd ( Xianheng ) and an unconsolidated affiliate, Fuxin Hengrui Tianyuan New Energy Sources Co., Ltd ( Tianyuan ).

Fuxin Hengrui was established with registered capital of \$5,030,000 (RMB41,600,000, which are not divided into shares). During 2004, all the registered capital was fully paid up. For the period from May 8, 2004 to December 27, 2004, 65% and 35% equity interest of the Company was held by a PRC Company and a United States Company (the U.S. Company ) respectively. On December 27, 2004, the U.S. Company sold its entire 35% equity interest to the current beneficial stockholder of the Company, Dollar Come Investments Limited ( Dollar Come ) which was incorporated in British Virgin Islands (the BVI ). On the same day, the PRC Company sold its 54.15% equity interest to Dollar Come and 10.85% equity interest to Song Lihui who is a director of the Company. On June 2, 2005, Song Lihui sold his entire 10.85% equity interest to current beneficial stockholder, Advance Sun Group Limited ( Advance Sun ), which was incorporated in BVI. Following the disposal, the company has been changed from Sino-Foreign Enterprises into Wholly Foreign Owned Enterprises ( WFOE ).

Xianheng was incorporated in the PRC on April 1, 2004 with registered capital of \$60,500 (RMB500,000, which are not divided into shares). At the date of inception, all of which was fully paid up. On September 21, 2006, the Company acquired 75% equity interest of Xianheng from two independent legal entities. The remaining 25% equity interest is held by Dollar Come, the Company's stockholder. During the reporting periods, Xianheng did not have any business activities. More details and accounting treatment on investment in Xianheng are set out in note 4.

On May 17, 2006, Fuxin Hengrui together with one of the directors of the Company established Tianyuan in the PRC with registered capital of \$1,251,000 (RMB10 million, which are not divided into shares). Pursuant to a special resolution passed on October 12, 2007, the registered capital of Tianyuan was reduced from \$1,251,000 to \$375,000 and the application was still in progress. On May 16, 2006, according to the payment schedule, Fuxin Hengrui contributed of \$131,355 to its registered capital representing 35% equity interest thereon. Tianyuan is principally engaged in manufacturing of coal water mixture to assess energy alternative for industrial boiler. More details and accounting treatment on investment in Tianyuan are set out in note 5.

Details of common stock of the Company are set out in note 23.

**Fuxin Hengrui Technology Co., Ltd**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**3. Description of business**

The Company is principally engaged in the manufacture and distribution of float glasses in the PRC.

The raw materials used in production are mainly divided into four groups, namely soda ash, heavy oils, silica sand and dolomite, which are primary sourced from suppliers located in the PRC. The production facilities of the Company are located in Liuling Province of China.

**4. Basic of preparation**

The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America.

The consolidated financial statements include the accounts of the Company and its subsidiary. All significant inter-company accounts and transactions have been eliminated in consolidation. The results of subsidiary acquired or disposed of during the years are included in the consolidated statement of income and comprehensive income from the effective date of acquisition.

The Company acquired 75% equity interest in Xianheng on September 21, 2006. Accordingly, the investment in Xianheng was accounted for under the equity method of accounting, which the attributable share (that is 75%) of Xianheng's net loss is recognized in the period in which it is deficit by Xianheng from the date of acquisition.

The financial position of Xianheng as of September 21, 2006 is as follows :-

Cash and cash equivalents	\$	26
Amount due from Dollar Come		15,825
Amount due from a related company		126,600
Property, plant and equipment		32,172
Amount due to Fuxin Hengrui		(115,700)
		<hr/>
Net assets	\$	58,923
		<hr/>

The Company acquired the 75% equity interest in Xianheng at a cash purchase price of \$47,475. As of December 31, 2006, the consolidated balance sheet reflects a goodwill identified on acquisition of Xianheng amounted to \$3,282 which represents the excess of the purchase price of \$47,475 over the attributable share (that is 75%) of fair value of acquired identifiable net assets of Xianheng amounted to \$44,193.

**Fuxin Hengrui Technology Co., Ltd**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**5. Summary of significant accounting policies**

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. Pursuant to the provisions of SFAS No. 142 Goodwill and Other Intangible Assets, goodwill is not amortized and is subjected to an annual impairment test which occurs in the fourth quarter of each fiscal year.

Goodwill will be written down only when and if impairment is identified and measured, based on future events and conditions.

Minority interests

Minority interests resulted from the consolidation of 75% owned subsidiary, Xianheng, where the Company has control over its operations.

Investment in an unconsolidated affiliate

The Company accounts for the 35% investment in Tianyuan (an investment in which the Company exercises significant influence but does not control) using the equity method, under which the share of Tianyuan's net loss is recognized in the period in which it is incurred by Tianyuan. As of December 31, 2006, the investment in an unconsolidated affiliate of \$99,051 (RMB792,802) represents attributable share of the underlying net assets of Tianyuan.

Use of estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. These accounts and estimates include, but are not limited to, the valuation of accounts receivable, inventories, deferred income taxes, provision for warranty and the estimation on useful lives of property, plant and equipment. Actual results could differ from those estimates.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, trade receivables and other receivables. As of December 31, 2006, 2005 and 2004, substantially all of the Company's cash and cash equivalents and restricted cash were held by major financial institutions located in the PRC, which management believes are of high credit quality. With respect to other receivables and trade receivables, the Company extends credit based on an evaluation of the customer's financial condition. The Company generally does not require collateral for trade receivables and other receivables which maintains an allowance for doubtful accounts of trade receivables and other receivables.

**Fuxin Hengrui Technology Co., Ltd**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**5. Summary of significant accounting policies (Cont d)**

Cash and cash equivalents

Cash and cash equivalents include all cash, deposits in banks and other highly liquid investments with initial maturities of three months or less to be cash equivalents. As of December 31, 2006, 2005 and 2004, almost all the cash and cash equivalents were denominated in Renminbi ( RMB ) and were placed with banks in the PRC. They are not freely convertible into foreign currencies and the remittance of these funds out of the PRC is subject to exchange control restrictions imposed by the PRC government. The remaining insignificant balance of cash and cash equivalents were denominated in US dollars.

Restricted Cash

Deposits in banks pledged as securities for bills payable (note 8) that are restricted in use are classified as restricted cash under current assets.

Allowance of doubtful accounts

The Company establishes an allowance for doubtful accounts based on management's assessment of the collectibility of trade receivables and other receivables. A considerable amount of judgment is required in assessing the amount of the allowance, the Company considers the historical level of credit losses and applies percentages to aged receivable categories. The Company makes judgments about the creditworthiness of each customer based on ongoing credit evaluations, and monitors current economic trends that might impact the level of credit losses in the future. If the financial condition of the customers were to deteriorate, resulting in their inability to make payments, a larger allowance may be required.

Based on the above assessment, during the reporting years, the management establishes the general provisioning policy to make allowance equivalent to 10% of gross amount of trade receivables and other receivables due over 6-12 months, 25% gross amount of trade receivables and other receivables due over 1-2 years and 50% of gross amount of trade receivables and other receivables due over 2-3 years and 100% of gross amount of trade receivables and other receivables due over 3 years. Additional specific provision is made against trade receivables aged less than 6 months to the extent which they are considered to be doubtful.

Bad debts are written off when identified. The Company extends unsecured credit to customers ranging from three to six months in the normal course of business. The Company does not accrue interest on trade receivable.

Historically, losses from uncollectible accounts have not significantly deviated from the general allowance estimated by the management and no significant additional bad debts have been written off directly to the profit and loss. This general provisioning policy has not changed in the past since establishment and the management considers that the aforementioned general provisioning policy is adequate and not too excessive and does not expect to change this established policy in the near future.

**Fuxin Hengrui Technology Co., Ltd**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**5. Summary of significant accounting policies (Cont d)**

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined on a weighted average basis and includes all expenditures incurred in bringing the goods to the point of sale and putting them in a saleable condition. In assessing the ultimate realization of inventories, the management makes judgments as to future demand requirements compared to current or committed inventory levels. Our reserve requirements generally increase as our projected demand requirements; decrease due to market conditions, product life cycle changes. The Company estimates the demand requirements based on market conditions, forecasts prepared by its customers, sales contracts and orders in hand.

In addition, the Company estimates net realizable value based on intended use, current market value and inventory ageing analyses. The Company writes down the inventories for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventories and the estimated market value based upon assumptions about future demand and market conditions.

Based on the above assessment, the Company establishes a general provision to make a 50% provision for inventories aged over 1 year. As at December 31, 2006, 2005 and 2004, no general provision for inventories were provided.

Historically, the actual net realizable value is close to the management estimation.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

Depreciation is provided on straight-line basis over their estimated useful lives. The principal depreciation rates are as follows :-

	<u>Annual rate</u>	<u>Residual value</u>
Buildings	1.9%	5%
Plant and machinery	9.5%	5%
Motor vehicles	11.875%	5%
Office equipment	19%	5%
Tools	9.5%	5%
Leasehold improvements	12.5%	Nil

Construction in progress mainly represents expenditures in respect of the Company's warehouses and factories under construction. All direct costs relating to the acquisition or construction of the Company's warehouses and factories are capitalized as construction in progress. No depreciation is provided in respect of construction in progress.

Maintenance or repairs are charged to expense as incurred. Significant improvements and renewals that extend the useful life of the asset are capitalized. Upon sale or disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount less proceeds from disposal is charged or credited to income.



**Fuxin Hengrui Technology Co., Ltd**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**5. Summary of significant accounting policies (Cont d)**

Land use right

Land use right is stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the terms of the lease of 50 years obtained from the relevant PRC land authority.

Impairment of long-lived assets

Long-lived assets are tested for impairment in accordance with SFAS No. 144 and Accounting Principles Board ( APB ) Opinion 18, Equity Method of Accounting for Investments in Common Stock, respectively. The Company periodically evaluates potential impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Company recognizes impairment of long-lives assets and investment in an affiliate in the event that the net book values of such assets exceed the future undiscounted cashflows attributable to such assets. During the reporting periods, the Company has no identified any indicators that would require testing for impairment.

Revenue recognition

Revenue from sales of the Company s products is recognized when the significant risks and rewards of ownership have been transferred to the buyer, the sales price is fixed or determinable and collection is reasonably assured.

Advertising and transportation expenses

Advertising, transportation and other product-related costs are charged to expense as incurred.

Advertising expenses amounted to \$2,493, \$Nil and \$14,193 for three years ended December 31, 2006, 2005 and 2004 respectively are included in selling expenses.

Transportation expenses amounted to \$641,975, \$338,344 and \$486,399 for three years ended December 31, 2006, 2005 and 2004 respectively are included in selling expenses.

Stock-based compensation

During the reporting periods, the Company did not make any stock-based compensation payments.

Government grant

Government grant income represents the cash receipt from the relevant government authorities for technical development. Government grant is recognized as income at the time when the approval documents are obtained from the relevant government authorities and when they are received.

**Fuxin Hengrui Technology Co., Ltd**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**5. Summary of significant accounting policies (Cont d)**

Income taxes

The Company uses the asset and liability method of accounting for income taxes pursuant to SFAS No. 109 Accounting for Income Taxes . Under the asset and liability method of SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statements carrying amounts of existing assets and liabilities and loss carryforwards and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Off-balance sheet arrangements

The Company does not have any off-balance sheet arrangements.

Comprehensive income

The Company has adopted SFAS 130, Reporting Comprehensive Income , which establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Components of comprehensive income (loss) include net income and foreign currency translation adjustments.

Foreign currency translation

The functional currency of the Company is RMB and RMB is not freely convertible into foreign currencies. The Company maintains its financial statements in the functional currency. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet date. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchanges rates prevailing at the dates of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income for the respective periods.

For financial reporting purposes, the financial statements of the Company which are prepared using the functional currency have been translated into United States dollars. Assets and liabilities are translated at the exchange rates at the balance sheet dates and revenue and expenses are translated at the average exchange rates and stockholders equity is translated at historical exchange rates. Any translation adjustments resulting are not included in determining net income but are included in foreign exchange adjustment to other comprehensive income, a component of stockholders equity. The exchange rates in effect at December 31, 2006, 2005 and 2004 were RMB1 for \$0.1282, \$0.1240 and \$0.1210 respectively. There is no significant fluctuation in exchange rate for the conversion of RMB to US dollars after the balance sheet date.

**Fuxin Hengrui Technology Co., Ltd**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**5. Summary of significant accounting policies (Cont d)**

Fair value of financial instruments

The carrying values of the Company's financial instruments, including cash and cash equivalents, restricted cash, trade and other receivables, dividend payable, trade, bills and other payables approximate their fair values due to the short-term maturity of such instruments. The carrying amounts of bank borrowings approximate their fair values because the applicable interest rates approximate current market rates.

It is management's opinion that the Company is not exposed to significant interest, price or credit risks arising from these financial instruments.

In respect of foreign currency risk, the Company is exposed to this risk arising from import purchase transactions and recognized trade payables as they will affect the future operating results of the Company. The Company did not have any hedging transactions during the reporting periods. As the functional currency of the Company is RMB, the exchange difference on translation to US dollars for reporting purpose is taken to other comprehensive income.

Basic and diluted (loss)/earnings per share

No basic and diluted (loss)/earnings per share was presented as the common stock of the Company was not divided into number of shares.

Recently issued accounting pronouncements

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections (SFAS 154), which changes the requirements for the accounting for and reporting of a change in accounting principle. The statement requires retrospective application to prior period financial statements of changes in accounting principle, unless impracticable to do so. It also requires that a change in the depreciation, amortization, or depletion method for long-lived non-financial assets be accounted as a change in accounting estimate, effected by a change in accounting principle. Accounting for error corrections and accounting estimate changes will continue under the guidance in APB Opinion 20, Accounting Changes, as carried forward in this pronouncement. The statement is effective for fiscal years beginning after December 15, 2005.

In November 2005, the FASB issued FSP Nos. FAS 115-1 and 124-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. This FSP addresses the determination as to when an investment is considered impaired, whether the impairment is other-than-temporary, and the measurement of an impairment loss. The investment is impaired if the fair value is less than cost. The impairment is other-than-temporary for equity securities and debt securities that can contractually be prepaid or otherwise settled in such a way that the investor would not recover substantially all of its cost. If other-than-temporary, an impairment loss shall be recognized in earnings equal to the difference between the investment's cost and its fair value. The guidance in this FSP is effective in reporting periods beginning after December 15, 2005.

**Fuxin Hengrui Technology Co., Ltd**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**5. Summary of significant accounting policies (Cont d)**

Recently issued accounting pronouncements (cont d)

In February 2006, the Financial Accounting Standards Board ( FASB ) issued SFAS No. 155 Accounting for Certain Hybrid Financial Instruments: and amendment of FASB Statements No. 133 and 140 . SFAS No. 155 simplifies the accounting for certain derivatives embedded in other financial instruments by allowing them to be accounted for as a whole if the holder elects to account for the whole instrument on a fair value basis. SFAS No. 155 also clarifies and amends certain other provisions of SFAS No. 133 and SFAS No. 140. SFAS No. 155 is effective for all financial instruments acquired, issued or subject to a remeasurement event occurring in fiscal years beginning after September 15, 2006. Earlier adoption is permitted, provided the Company has not yet issued financial statements, including for interim periods, for that fiscal year.

In March 2006, the FASB released SFAS No. 156 Accounting for Servicing of Financial Assets: an amendment of FASB Statement No. 140 to simplify accounting for separately recognized servicing assets and servicing liabilities. SFAS No. 156 permits an entity to choose either the amortization method or the fair value measurement method for measuring each class of separately recognized servicing assets and servicing liabilities after they have been initially measured at fair value. SFAS No. 156 applies to all separately recognized servicing assets and liabilities acquired or issued after the beginning of an entity s fiscal year that begins after September 15, 2006.

In July 2006, the FASB issued FIN 48 Accounting for Uncertainty in Income Taxes . This interpretation requires that the entity recognize in its financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technology merits of the position. The provisions of FIN 48 is effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings.

In September 2006, the FASB issued SFAS No. 157 Fair Value Measurement . SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This Statement shall be effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including any financial statements for an interim period within that fiscal year. The provisions of this statement should be applied prospectively as of the beginning of the fiscal year in which this Statement is initially applied, except in some circumstances where the statement shall be applied retrospectively.

In September 2006, the FASB released SFAS No. 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plans: an amendment of FASB Statements No. 87, 88, 106, and 132(R) which requires an employer to recognize the over funded or under funded status of defined benefit and other postretirement plans as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through an adjustment to comprehensive income. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions.

**Fuxin Hengrui Technology Co., Ltd**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**5. Summary of significant accounting policies (Cont d)**

Recently issued accounting pronouncements (cont d)

In September 2006, the SEC issued SAB No. 108, which provides guidance on the process of quantifying financial statement misstatements. In SAB No. 108, the SEC staff establishes an approach that requires quantification of financial statement errors, under both the iron-curtain and the roll-over methods, based on the effects of the error on each of the Company's financial statements and the related financial statement disclosures. SAB No. 108 is generally effective for annual financial statements in the first fiscal year ending after November 15, 2006. The transition provisions of SAB No. 108 permits existing public companies to record the cumulative effect in the first year ending after November 15, 2006 by recording correcting adjustments to the carrying values of assets and liabilities as of the beginning of that year with the offsetting adjustment recorded to the opening balance of retained earnings.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115 ( SFAS 159 ). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with few exceptions. SFAS 159 also establishes presentation and disclosure requirements to facilitate comparisons between companies that choose different measurement attributes for similar assets and liabilities. The requirements of SFAS 159 are effective for our fiscal year beginning January 1, 2008. We are in the process of evaluating this standard and therefore have not yet determined the impact that SFAS 159 will have on our financial statements upon adoption.

The Company has adopted all the above accounting procurements effective January 1, 2006 and considers that they have no material impact on these consolidated financial statements.

**6. Finance costs**

	Year ended December 31,		
	2006	2005	2004
Interest expenses	\$ 690,413	\$ 373,438	\$ 441,783
Bills discounting charges		12,626	33,341
Bank charges and net exchange loss	74,041	13,460	13,615
	<u>\$ 764,454</u>	<u>\$ 399,524</u>	<u>\$ 488,739</u>

- 17 -

**Fuxin Hengrui Technology Co., Ltd**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**7. Income taxes**

PRC

Enterprises income tax ( EIT ) to the Company and its subsidiary in the PRC is charged at 33%, of which 30% is for national tax and 3% for local tax, of the assessable profits. As approved by the relevant tax authority in the PRC, the Company was entitled to two years exemption, from the first profit making calendar year of operations after offset of accumulated taxable losses, followed by 50% tax reduction for the immediate next three calendar years ( tax holiday ). The Company has elected not to commence the entitlement of tax holiday in the first profit making fiscal financial year of 2003 and thus had current tax payable in the prior period. The tax holiday of the Company commenced in the fiscal year 2004. Accordingly, the company will be exempted from EIT for 2004 and 2005 and thereafter entitled to a 50% reduction on EIT tax rate at 16.5% for 2006, 2007 and 2008.

The components of the provision/(benefit) for income taxes from continuing operations are :-

	Year ended December 31,		
	2006	2005	2004
Current taxes - PRC	\$ 25,778	\$	\$
Deferred taxes - PRC	(37,526)	(266,294)	(42,352)
	<u>\$ (11,748)</u>	<u>\$ (266,294)</u>	<u>\$ (42,352)</u>

The effective income tax expenses differs from the PRC statutory income tax rate of 33% from continuing operations in the PRC as follows :-

	Year ended December 31,		
	2006	2005	2004
Provision for income taxes at statutory income tax rate	\$ (1,352,977)	\$ 81,582	\$ 1,911,754
Non-deductible items for tax	1,525,904	116,381	224,502
Income not subject to tax	(170,905)	(255,394)	(857,615)
Tax holiday	(25,778)	(294,077)	(1,334,546)
Decrease in deferred tax assets resulting from a reduction of PRC enterprise income tax rate	12,008	85,214	13,553
	<u>\$ (11,748)</u>	<u>\$ (266,294)</u>	<u>\$ (42,352)</u>

**Fuxin Hengrui Technology Co., Ltd**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**7. Income taxes (Cont d)**

Deferred tax assets/(liabilities) as of December 31, 2006, 2005 and 2004 are composed of the following :-

	As of December 31,		
	2006	2005	2004
<b>The PRC</b>			
Current deferred tax assets:			
Allowance for doubtful debts	\$ 160,079	\$ 56,061	\$ 13,328
Accrued liabilities	44,870	24,800	12,100
	<u>\$ 204,949</u>	<u>\$ 80,861</u>	<u>\$ 25,428</u>
Non current deferred tax assets/ (liabilities):			
Depreciation of property, plant and equipment	\$ (205,197)	\$ (118,842)	\$ 13,083
Amortization of land use right	42,445	22,706	9,425
Deferred expenses	326,264	334,616	
	<u>\$ 163,512</u>	<u>\$ 238,480</u>	<u>\$ 22,508</u>

On March 16, 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the New CIT Law). The new CIT Law reduces the corporate income tax rate from 33% to 25% with effect from January 1, 2008. The tax rate reduction will also impact the carrying value of deferred tax assets as a result of new tax rate.

**8. Restricted cash, bills and trade payables**

	As of December 31,		
	2006	2005	2004
Bank deposits held as collateral for bills payable	\$ 448,996	\$ 503,430	\$ 883,300

When the Company intends or is requested to settle its suppliers by issuance of bills, it is required to place deposits with banks equal to 100% of the bills amount at the time of issuance. These deposits will be used to settle the bills at maturity.

The Company is requested by certain of its suppliers to settle by issuance of bills for which the banks add their undertakings to guarantee their settlement at maturity. These bills are interest-free with maturity of three to six months from date of issuance. As security for the banks' undertakings, the Company is required to deposit with such banks equal to 100% of the bills amount at the time of issuance and pay bank charges.

Trade payables represent trade creditors on open account. They are interest-free and unsecured. The normal credit term given by these suppliers to the Company ranges from one to three months.





**Fuxin Hengrui Technology Co., Ltd**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**9. Trade receivables**

	As of December 31,		
	2006	2005	2004
Trade receivables	\$ 1,527,557	\$ 732,466	\$ 1,044,222
Allowance for doubtful accounts	(215,062)	(108,244)	(20,892)
	<u>\$ 1,312,495</u>	<u>\$ 624,222</u>	<u>\$ 1,023,330</u>

The Company incurred \$101,060, \$85,573 and \$20,892 of doubtful debt expense during the three years ended December 31, 2006, 2005 and 2004 respectively.

**10. Other receivables**

	As of December 31,		
	2006	2005	2004
Advances to third parties - Note 10a	\$ 4,679,857	\$ 2,331,354	\$ 1,156,012
Value added tax and other tax recoverable	117,503	12,706	18,150
Other receivables	1,152	1,116	4,718
	<u>4,798,512</u>	<u>2,345,176</u>	<u>1,178,880</u>
Allowance of doubtful accounts	(245,978)	(74,751)	(32,420)
	<u>\$ 4,552,534</u>	<u>\$ 2,270,425</u>	<u>\$ 1,146,460</u>

Note :

- The amounts are interest-free, unsecured and repayable on demand.
- The Company incurred \$165,274, \$40,925 and \$Nil of doubtful debt expense during the three years ended December 31, 2006, 2005 and 2004 respectively.

**11. Advances to staff**

The amounts are interest-free, unsecured and repayable on demand. The Company incurred \$133,860, \$40,648 and \$Nil of doubtful debt expense during the three years ended December 31, 2006, 2005 and 2004 respectively.

**12. Prepayments**

As of December 31,

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	As of December 31,		
	2006	2005	2004
Prepayment for raw materials	\$ 787,931	\$ 492,887	\$ 561,572
Prepayment for factory construction	30,655	35,464	1,320,699
Prepayment for factory tools	17,195	5,701	373,588
Prepayment for utilities expenses	97,235	78,002	214,059
	<u>          </u>	<u>          </u>	<u>          </u>
	\$ 933,016	\$ 612,054	\$ 2,469,918
	<u>          </u>	<u>          </u>	<u>          </u>

- 20 -

**Fuxin Hengrui Technology Co., Ltd**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**13. Inventories**

	As of December 31,		
	2006	2005	2004
Raw materials	\$ 1,472,033	\$ 1,207,530	\$ 1,359,751
Finished goods	4,149,691	3,254,897	791,122
Consumables	35,834	38,618	37,061
	<u>\$ 5,657,558</u>	<u>\$ 4,501,045</u>	<u>\$ 2,187,934</u>

No (recovery of)/provision for obsolete inventories were (credited)/charged to operations during the three years ended December 31, 2006, 2005 and 2004 respectively.

**14. Property, plant and equipment**

	As of December 31,		
	2006	2005	2004
Costs:			
Buildings	\$ 13,531,965	\$ 11,805,695	\$ 10,425,381
Plant and machinery	17,165,082	16,373,810	15,965,992
Office equipment	96,250	69,499	54,037
Tools	163,706	158,343	154,512
Leasehold improvements	3,385,972	3,241,068	
Motor vehicles	412,361	347,502	923,048
	<u>34,755,336</u>	<u>31,995,917</u>	<u>27,522,970</u>
Accumulated depreciation	<u>(6,928,581)</u>	<u>(4,481,642)</u>	<u>(2,645,374)</u>
Net	<u>\$ 27,826,755</u>	<u>\$ 27,514,275</u>	<u>\$ 24,877,596</u>

An analysis of buildings pledged to banks for banking loans (note 21a) is as follows :-

	As of December 31,		
	2006	2005	2004
Costs:			
Buildings	\$ 7,899,528	\$ 3,196,092	\$
Accumulated depreciation	(704,010)	(157,692)	

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As of December 31,

Net

\$	7,195,518	\$	3,038,400	\$
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Year ended December 31,

	2006	2005	2004
Depreciation	\$ 151,635	\$ 62,338	\$

- 21 -

**Fuxin Hengrui Technology Co., Ltd**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**14. Property, plant and equipment (Cont d)**

During the reporting periods, depreciation is included in :-

	Year ended December 31,		
	2006	2005	2004
Cost of sales and overheads of inventories	\$ 2,116,065	\$ 1,665,099	\$ 1,704,398
Other	132,529	295,821	108,489
	<u>\$ 2,248,594</u>	<u>\$ 1,960,920</u>	<u>\$ 1,812,887</u>

During the years ended December 31, 2005 and 2004, property, plant and equipment with carrying amounts of \$860,362 and \$208,053 were disposed of at a total consideration of \$950,528 and \$208,053 resulting in gain of \$90,166 and \$Nil respectively.

**15. Land use right**

	As of December 31,		
	2006	2005	2004
Right to use land	\$ 2,949,654	\$ 2,634,103	\$ 2,528,658
Accumulated amortization	(151,052)	(88,502)	(34,001)
	<u>\$ 2,798,602</u>	<u>\$ 2,545,601</u>	<u>\$ 2,494,657</u>

The Company obtained the right from the relevant PRC land authority for a period from November 20, 2002 to September 18, 2052 to use the lands on which the office premises, production facilities and warehouse of the Company are situated. This right was pledged to a bank for the bank loans granted to the Company (Note 21b).

During the three years ended December 31, 2006, 2005 and 2004, amortization amounted to \$58,345, \$52,879 and \$24,792 respectively.

The estimated aggregate amortization expenses for land use right for the five succeeding years is as follows :-

Year	
2007	\$ 58,345
2008	58,345
2009	58,345
2010	58,345
2011	58,345
	<u>\$ 291,725</u>

Year

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- 22 -



**Fuxin Hengrui Technology Co., Ltd**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**16. Trademark**

The Company currently owns a trademark, namely Gold Elephant which was registered in the PRC. The cost of application has been recognized as an expenses when incurred.

**17. Other payables and accrued expenses**

As of December 31,

	2006	2005	2004
Accrued audit fee	\$ 179,480	\$ 99,200	\$ 48,400
Payable for acquisition of property, plant and equipment	753,183	919,482	542,634
Accruals for factory construction	1,649,093	1,829,695	2,372,091
Loans from related parties - Note 17a	71,368	366,140	1,355,064
Loans from third parties - Note 17b	6,957,053	8,764,762	8,719,179
Other accrued expenses	458,706	189,354	68,096
Other tax payable	134,341	515,712	654,253
Staff welfare payable - Note 17a	146,511	220,311	262,942
Other payables	5,552	2,525	1,652
	<u>\$ 10,355,287</u>	<u>\$ 12,907,181</u>	<u>\$ 14,024,311</u>

Note :-

- a. The amounts represent loans from related companies in which Madam Tan Lin, a shareholder and director of the Company, is also a shareholder and are interest-free, unsecured and repayable on demand.
- b. The amounts are interest-free, unsecured and repayable on demand.
- c. Staff welfare payable represents accrued staff medical, industry injury claims, labor and unemployment insurances. All of which are third parties insurance and the insurance premiums are based on certain percentage of salaries. The obligations of the Company are limited to those premiums contributed by the Company.

**18. Sales receipt in advance**

The amount represents 100% sales deposit received from local customers.

**19. Amounts due from an unconsolidated affiliate / a director / amounts due to directors**

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

**20. Amounts due from Dollar Come**

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





**Fuxin Hengrui Technology Co., Ltd**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**21. Secured short-term bank loans**

	As of December 31,		
	2006	2005	2004
Bank loans repayable as follows:			
Within 1 year	\$ 12,779,773	\$ 6,671,200	\$ 6,050,000

As of December 31, 2006, the Company's banking facilities are composed of the following :-

Facilities granted	Granted	Amount Utilized	Unused
Secured bank loans	\$ 15,101,960	\$ 12,779,773	\$ 2,322,187

The above bank loans were secured by the following :-

- Property, plant and equipment with carrying value of \$7,195,518 (Note 14);
- Land use right with carrying value of \$2,798,602 (Note 15);
- Guarantee executed by the Company's director, Mr. Song Lihui; and
- All the bank loans are denominated in RMB and carry interest rates ranging from 4.8675% to 6.045% per annum with maturity dates within 1 year.

During the reporting periods, there was no covenant requirement under the banking facilities granted to the Company.

**22. Commitments and contingencies**

a. Capital commitment

As of December 31, 2006, the Company had no capital commitments in respect of the acquisition of property, plant and equipment which contracted for but not provided in the financial statements.

b. Operating lease arrangement

As of December 31, 2006, the Company had one non-cancelable operating lease for its offices, factories and warehouses. The lease will expire in 2015 and the expected payments are as follows :-

Within one year	\$ 376,800
Two to five years	1,507,200
After five years	1,381,600
	<hr/>
	\$ 3,265,600

The rental expense relating to the operating leases was \$376,800, \$103,870 and \$24,200 for the three years ended December 31, 2006, 2005 and 2004 respectively.

- 24 -

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**Fuxin Hengrui Technology Co., Ltd**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**22. Commitments and contingencies (Cont d)**

c. Environmental

The Company's operations are subject to the laws and regulations in the PRC relating to the generation, storage, handling, transportation and discharge of certain materials, substances and waste into the environment, and various other health and safety matters. Governmental authorities have the power to enforce compliance with their regulations, and violators may be subject to fines, injunctions or both. The Company must devote substantial financial resources to ensure compliance, and the management believes that it is in substantial compliance with all the applicable laws and regulations.

The Company has not incurred any significant expenditure for environmental remediation, is currently not involved in any environmental remediation and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position, operating results or cash flows of the Company.

The Company incurred normal routine pollutant discharge fees of \$1,383, \$3,788 and \$2,420 for the three years ended December 31, 2006, 2005 and 2004 respectively.

**23. Common stock**

The common stock of the Company represented the issued and paid up registered capital of \$5,030,000.

**24. Statutory reserves**

In accordance with the relevant laws and regulations of the PRC and articles of association of the Company, it is required to appropriate 10% of its net income, after offsetting any prior years' losses, to the statutory reserve. When the balance of such reserve reaches 100% of the registered capital, any further appropriation is optional. Upon approval from the board of directors of the Company, the statutory reserve can be used to offset accumulated losses or to increase registered capital.

**Fuxin Hengrui Technology Co., Ltd**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**25. Accumulated other comprehensive income**

The accumulated other comprehensive income consists of foreign currency translation adjustments as follows :-

		Foreign currency translation adjustments
Balance, January 1, 2004	\$	2,000
Foreign currency translation adjustments		1,600
		<u>3,600</u>
Balance, December 31, 2004		3,600
Foreign currency translation adjustments		223,115
		<u>226,715</u>
Balance, December 31, 2005		226,715
Foreign currency translation adjustments		232,169
		<u>458,884</u>
Balance, December 31, 2006	\$	458,884

**26. State pension contribution plan**

The Company has a defined contribution plan for all qualified employees in the PRC. The employer and its employees are each required to make contributions to the plan at the rates specified in the plan. The only obligation of the Company with respect to retirement scheme is to make the required contributions under the plan. No forfeited contribution is available to reduce the contribution payable in the future years. The defined contribution plan contributions were charged to the consolidated statements of operations. The Company contributed \$83,538, \$79,675 and \$62,990 for the three years ended December 31, 2006, 2005 and 2004 respectively.

**27. Segment information**

The nature of the products, their production processes, the type of their customers and their distribution methods are substantially similar, they are considered as a single reportable segment under FAS 131, Disclosures about Segments of an Enterprise and Related Information .

All of the Company's long-lived assets are located in the PRC during the reporting periods. Geographic information about the revenues, which are classified based on the customers, is set out as follows :-

	Year ended December 31,		
	2006	2005	2004
PRC	\$ 25,139,321	\$ 23,069,590	\$ 24,086,076
Others	5,106,213	1,507,735	1,341,350
	<u>30,245,534</u>	<u>24,577,325</u>	<u>25,427,426</u>
Total	\$ 30,245,534	\$ 24,577,325	\$ 25,427,426



**Fuxin Hengrui Technology Co., Ltd**  
**Notes to Consolidated Financial Statements**  
**(Stated in US Dollars)**

**28. Related party transactions**

Apart from the transactions as disclosed in notes 17a, 19, 20 and 21c to the financial statements, during the year ended December 31, 2006, the Company had the following transactions with Tianyuan :-

- (a) Purchase of coal water mixture from Tianyuan amounted to \$1,203,390 based on a pre-agreed basis by both parties; and
- (b) Rental income of \$18,840 from Tianyuan based on market value.

- 27 -

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## EXHIBIT INDEX

<b>Exhibit No.</b>	<b>Description</b>
<u>2.1</u>	<u>Share Exchange Agreement, dated March 31, 2008, among the Company, Dollar Come, Ltd. and its shareholders. *</u>
3.1	Certificate of Incorporation of the Company, as amended to date. [Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission filed on January 13, 2006.]
3.2	Bylaws of the Company, as amended to date. [Incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the Commission filed on January 13, 2006.]
<u>10.1</u>	<u>Lease Agreement with Fuxin Guangya on August 25, 2004. *</u>
<u>10.2</u>	<u>Bank Loan Agreement with Chinese Construction Bank*</u>
<u>10.3</u>	<u>Bank Loan Agreement with Shanghai Pudong Development Bank*</u>
<u>10.4</u>	<u>Bank Loan Agreement with CITIC Bank*</u>
<u>10.5</u>	<u>Purchase Agreement for Pure Alkali with Tangshan SanYou Chemical Industry Inc. on January 1, 2007 *</u>
<u>10.6</u>	<u>Purchase Agreement for Coal with Xinxing Material Sales agency of Fuxin Economic Development Zone on July 14, 2007.</u>
<u>10.7</u>	<u>Purchase Agreement for Blend Oil with Panjin Yidong Petrochemical Co., LTD on August 30, 2007*</u>
<u>10.8</u>	<u>Sales Contract of Crystal Float Glass with Guangzhou Jingyao Glass Products Co. LTD on March 9, 2007*</u>
<u>10.9</u>	<u>Sales Contract of Crystal Float Glass with Fuxin Guangmingwuzi Co. LTD on December 4, 2006.</u>
<u>10.10</u>	<u>Debt Settlement Agreement with Fuxin Dongfang Glass Co., Ltd on June 30, 2006*</u>
<u>10.11</u>	<u>Employment Agreement with Lihui Song*</u>
<u>10.12</u>	<u>Employment Agreement with Qiang Hao*</u>
16	Change of Auditor *
<u>21.1</u>	<u>Subsidiaries of the Company *</u>