

CERTIFICATION

I, Wong Kai Tung, CEO of FP Group, Ltd., hereby certify that the financial statements filed herewith and any notes thereto, fairly present, in all material respects, the financial position, results of operations and cash flows for the periods presented, in conformity with accounting principals generally accepted n the United States, consistently applied.

FP Group, Ltd.
 Statements of Operations
 For the Six Months Ended September 30, 2004 and 2005
 and the Years Ended March 31, 2003, 2004 & 2005
 (Expressed in Hong Kong Dollars and United States Dollars)
 (Unaudited)

	HK Dollars						US Dollars					
	September 30,		March 31,		September 30,		March 31,		September 30,		March 31,	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Sales	\$ 20,673,401	\$ 19,536,625	\$ 44,798,427	\$ 31,801,445	\$ 16,895,200	\$ 2,650,436	\$ 2,507,260	\$ 5,743,388	\$ 4,077,108	\$ 2,166,051	\$ 1,729,958	\$ 2,166,051
Cost of sales	14,480,619	15,194,330	30,839,674	21,713,357	13,493,674	1,856,490	1,947,991	3,953,804	2,783,764	1,729,958	1,729,958	1,729,958
Gross margin	6,192,782	4,342,295	13,958,753	10,088,088	3,401,526	793,946	559,269	1,789,584	1,293,344	436,093	436,093	436,093
Selling, general and administrative expenses	2,918,159	2,355,213	5,511,913	3,708,162	3,531,110	374,123	301,950	706,656	475,405	453,219	453,219	453,219
Income (loss) from operations	3,274,623	2,007,082	8,446,840	6,379,926	(133,584)	419,823	257,319	1,082,928	817,939	(17,126)	(17,126)	(17,126)
Other income and (expense):												
Other income	69,197	285,506	382,389	26,288	11,373	8,871	36,603	49,024	3,370	1,458	1,458	1,458
Interest expense	(261,424)	(123,501)	(214,274)	(271,740)	(330,034)	(33,516)	(15,833)	(27,471)	(34,838)	(42,312)	(42,312)	(42,312)
	(192,227)	162,005	168,115	(245,452)	(318,661)	(24,645)	20,770	21,553	(31,468)	(40,854)	(40,854)	(40,854)
Net income (loss) before income taxes	3,082,396	2,169,087	8,614,955	6,134,474	(452,245)	395,178	278,089	1,104,481	786,471	(57,980)	(57,980)	(57,980)
Provision (credit) for income taxes	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	\$ 3,082,396	\$ 2,169,087	\$ 8,614,955	\$ 6,134,474	\$ (452,245)	\$ 395,178	\$ 278,089	\$ 1,104,481	\$ 786,471	\$ (57,980)	\$ (57,980)	\$ (57,980)
Dividends paid	-	-	(5,000,000)	-	-	-	-	(641,026)	-	-	-	-
Retained income (loss)	\$ 3,082,396	\$ 2,169,087	\$ 3,614,955	\$ 6,134,474	\$ (452,245)	\$ 395,178	\$ 278,089	\$ 463,455	\$ 786,471	\$ (57,980)	\$ (57,980)	\$ (57,980)
Per share information:												
Basic and diluted income (loss) per common share	\$ 0.077	\$ 0.253	\$ 0.214	\$ 0.166	\$ (0.053)	\$ 0.010	\$ 0.032	\$ 0.027	\$ 0.092	\$ (0.007)	\$ (0.007)	\$ (0.007)
Weighted average shares outstanding	40,200,000	8,575,000	40,200,000	8,575,000	8,575,000	40,200,000	8,575,000	40,200,000	8,575,000	8,575,000	8,575,000	8,575,000

See accompanying notes to financial statements.

FP Group, Ltd.

Statement of Changes in Stockholders' Equity
For the Six Months Ended September 30, 2004 and 2005
and the Years Ended March 31, 2003, 2004 & 2005
(Expressed in Hong Kong Dollars)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Total
	Shares	Amount		\$	\$
Balance April 1, 2002	8,575,000	\$ -	-	(3,722,469)	(3,722,469)
Forgiveness of loans by directors	-	-	3,733,118	-	3,733,118
Net (loss) for the year ended March 31, 2003	-	-	-	(452,245)	(452,245)
	8,575,000	-	3,733,118	(4,174,714)	(441,596)
Net income for the year ended March 31, 2004	-	-	-	6,134,474	6,134,474
Issuance of common stock pursuant to the share exchange agreement	28,425,000	-	-	-	-
Shares in public float	3,200,000	249,600	-	-	249,600
Balance, March 31, 2004	40,200,000	249,600	3,733,118	1,959,760	5,942,478
Net income for the year ended March 31, 2005	-	-	-	3,614,955	3,614,955
Balance, March 31, 2005	40,200,000	249,600	3,733,118	5,574,715	9,557,433
Net income for the six months ended September 30, 2005	-	-	-	3,082,396	3,082,396
Balance September 30, 2005	40,200,000	\$ 249,600	\$ 3,733,118	\$ 8,657,111	\$ 12,639,829

See accompanying notes to financial statements.

FP Group, Ltd.
 Statements of Cash Flows
 For the Six Months Ended September 30, 2004 and 2005
 and the Years Ended March 31, 2003 & 2005
 (Expressed in Hong Kong Dollars)
 (Unaudited)

	September 30,		March 31,		
	2005	2004	2005	2004	2002
Net income (loss)	\$ 3,082,396	\$ 2,169,087	\$ 8,614,955	\$ 6,134,474	\$ (452,245)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	1,809,501	1,283,632	3,625,983	2,230,585	2,195,905
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(143,456)	(4,267,201)	(3,358,564)	(2,608,798)	(942,693)
(Increase) decrease in inventory	(523,474)	(553,264)	(620,180)	(744,533)	(497,074)
(Increase) decrease in other receivables	(74,630)	2,991,911	(2,149,307)	(2,964,033)	1,388,071
(Increase) decrease in accounts receivable - related party	(527,945)	(7,742,233)	26,631	(70,000)	-
(Increase) decrease in other assets	(49,049)	(12,025)	(28,331)	(22,950)	3,350
Increase (decrease) in accounts payable and accrued expenses	(2,754,736)	7,815,735	3,999,508	504,262	966,570
Increase (decrease) in amounts due to related parties	(765,477)	194,681	291,347	833,343	(158,174)
Total adjustments	<u>(3,029,266)</u>	<u>(288,764)</u>	<u>1,787,087</u>	<u>(2,842,124)</u>	<u>2,955,955</u>
Net cash (used in) operating activities	<u>53,130</u>	<u>1,880,323</u>	<u>10,402,042</u>	<u>3,292,350</u>	<u>2,503,710</u>
Cash flows from investing activities:					
Acquisition of plant and equipment	(1,394,700)	-	(4,942,087)	(2,173,400)	(134,591)
Net cash provided by (used in) investing activities	<u>(1,394,700)</u>	<u>-</u>	<u>(4,942,087)</u>	<u>(2,173,400)</u>	<u>(134,591)</u>
Cash flows from financing activities:					
Payment of capital lease obligations	(629,484)	(759,094)	(1,007,455)	(1,433,285)	(1,698,101)
Proceeds from capital lease obligations	3,832,217	-	-	-	-
Proceeds from short term bank loan	-	-	-	500,000	-
Repayment of short term bank loan	(381,022)	(128,572)	(38,050)	(80,928)	-
Proceeds from Notes payable other	(1,285,436)	(1,031,630)	-	-	-
Repayments of Notes payable other	-	-	-	-	-
Issuance of stock for cash	-	-	249,600	-	-
Payment of cash dividend	-	-	(5,000,000)	-	-
Net cash provided by (used in) financing activities	<u>1,536,275</u>	<u>(1,919,296)</u>	<u>(5,795,905)</u>	<u>(1,014,213)</u>	<u>(1,698,101)</u>
Increase (decrease) in cash	194,705	(38,973)	(335,950)	104,737	671,018
Cash and cash equivalents, beginning of period	59,649	395,599	395,599	290,862	(380,156)
Cash and cash equivalents, end of period	<u>\$ 254,354</u>	<u>\$ 356,626</u>	<u>\$ 59,649</u>	<u>\$ 395,599</u>	<u>\$ 290,862</u>

See accompanying notes to financial statements.

FP Group, Ltd.
Notes to Financial Statements
(Unaudited)

NOTE 1 - GENERAL

The Company is incorporated in Hong Kong as a private limited company using the name Full Prosperity Paper Products Limited. The Company is engaged in the printing and manufacturing of paper products and the provision of logistic management and sourcing services. The Company's functional currency is Hong Kong dollars. During November 2004, the Company entered into a Stock Exchange Agreement and Plan of Reorganization with Johnstone Management Corporation (Johnstone) whereby the Company acquired Johnstone in a reverse merger transaction. The accompanying financial statements present the financial position and results of operations of the Company. Johnstone had no operations during any of the periods presented.

BASIS OF PRESENTATION

The accompanying unaudited balance sheet as at September 30, 2004 and 2005 and results for the six months periods ended September 30, 2004 and 2005 have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and Item 310(b) of Regulation SB. They do not include all of the information and footnotes for complete financial statements as required by GAAP. In management's opinion, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included.

The consolidated statements include the accounts of FP Group, Ltd and its wholly-owned subsidiary. All significant inter-company balances and transactions have been eliminated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue from the sale of goods is recognized when the goods are delivered and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Revenue from the provision of services is recognized when the services are rendered.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

Expenditure on major overhauls of fixed assets is capitalized as a separate component of the relevant asset. The component is depreciated over the period to the next overhaul.

Depreciation is provided to write off the cost of items of fixed assets over their estimated useful lives and after taking into account their estimated residual value, using the straight line method. The principal annual rates are as follows:

FP Group, Ltd.
Notes to Financial Statements
(Unaudited)
(Continued)

Category of assets	Depreciation rates
Office equipment	20%
Plant and machinery	20%
Furniture and fixtures	20%
Mould	20%
Motor vehicle	20%

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a first in, first out basis, and in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Leasing

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

Assets held under finance leases are recognized as assets of the Company at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of change on the remaining balance of the obligation for each accounting period.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Foreign currency translations

Transactions in foreign currencies are translated into Hong Kong dollars at the approximate rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currencies are translated

FP Group, Ltd.
Notes to Financial Statements
(Unaudited)
(Continued)

at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profits differs from net profit #s reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arises from goodwill (or negative goodwill) or from the initial recognized (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decision. Parties are also considered to be related if they are subject to common control or common significant influence.

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired less advances from bank repayable within three months from the date of the advance. Cash equivalents include investments and advance denominated in foreign currencies that they fulfill the above criteria.

Estimates

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Financial Instruments

FP Group, Ltd.
Notes to Financial Statements
(Unaudited)
(Continued)

The Company does not hold or issue financial instruments for trading purposes nor does it hold or issue interest rate or leveraged derivative financial instruments.

Stock-based Compensation

The Company adopted Statement of Financial Accounting Standard ("FAS") No. 123 ("FAS 123"), Accounting for Stock-Based Compensation beginning at its inception. Upon adoption of FAS 123, the Company continued to measure compensation expense for its stock-based employee compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). The Company did not pay any stock based compensation during any period presented.

Effect of Accounting Pronouncements

In May 2003, the FASB issued FAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" ("FAS 150"). FAS 150 establishes standards for how a company classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that a company classify a financial instrument that is within the scope as a liability (or an asset in some circumstances). FAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company does not expect the adoption of FAS 150 to have an impact on its financial position or operating results.

In April 2003, the FASB issued FAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("FAS 149"). FAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FAS 133, "Accounting for Derivative Instruments and Hedging Activities". FAS 149 is generally effective for contracts entered into or modified after June 30, 2003 or hedging relationships designated after June 30, 2003. The Company does not expect the adoption of FAS 149 to have an impact on its financial position or operating results.

In January 2003, the FASB issued FASB Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities", ("FIN 46") which requires variable interest entities (commonly referred to as SPEs) to be consolidated by the primary beneficiary of the entity if certain criteria are met. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. The adoption of this statement does not impact the Company's historical or present financial statements, as the Company has not created or acquired any variable interest entities, nor does it expect to in the future.

In December 2002, the FASB issued FAS 148 "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of FAS 123" ("FAS 148"). FAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation from the intrinsic value-based method of accounting prescribed by APB 25. As allowed by FAS 123, the Company has elected to continue to apply the intrinsic value-based method of accounting, and

FP Group, Ltd.
Notes to Financial Statements
(Unaudited)
(Continued)

has adopted the disclosure requirements of FAS 123. The Company currently does not anticipate adopting the provisions of FAS 148.

In July 2002, the FASB issued FAS 146, "Accounting for Costs Associated with Exit or Disposal Activities." FAS 146 provides new guidance on the recognition of costs associated with exit or disposal activities. The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of commitment to an exit or disposal plan. FAS 146 supersedes previous accounting guidance provided by the Emerging Issues Task Force ("EITF") Issue No. 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" ("EITF 94-3"). EITF 94-3 required recognition of costs at the date of commitment to an exit or disposal plan. FAS 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. Early application is permitted. The adoption of FAS 146 by the Company is not expected to have a material impact on the Company's financial position, results of operations, or cash flows.

In April 2002, the FASB issued FAS 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("FAS 145"). Among other things, this statement rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt" which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. As a result, the criteria in APB 30, "Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," will now be used to classify those gains and losses. The provisions of FAS 145 related to the classification of debt extinguishment are effective for years beginning after May 15, 2002. The adoption of FAS 145 by the Company is not expected to have a material impact on the Company's financial position, results of operations, or cash flows.