福 邦 控 股

Fulbond Holdings Limited
福 邦 控 股 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1041)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

The board of directors (the "Directors") of Fulbond Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008 together with the comparative figures for the corresponding period in 2007 is set out (unless otherwise stated, the figures contained in this announcement are denominated in United States dollars) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008

	NOTES	**1.1.2008 to 30.6.2008 (Unaudited)** *US$'000*	**1.1.2007 to 30.6.2007 (Unaudited)** *US$'000*
Turnover	*4*	10,664	12,607
Cost of sales		(9,683)	(10,866)
Gross profit		981	1,741
Other income		151	652
Selling and distribution costs		(913)	(1,680)
Administrative expenses		(2,895)	(1,532)
Impairment loss recognised in respect of property, plant and equipment	*8*	(3,143)	–
Gain on disposal of a subsidiary	*19*	1,051	–
Gain on disposal of an associate	*9*	–	521
Share of results of associates		–	(354)
Change in fair value of derivative financial instruments		3,613	–
Finance costs		(572)	(414)
Loss before taxation		(1,727)	(1,066)
Taxation	*5*	–	(351)
Loss for the period	*6*	(1,727)	(1,417)
Attributable to:			
Equity holders of the Company		(199)	(1,059)
Minority interests		(1,528)	(358)
		(1,727)	(1,417)
Loss per share attributable to equity holders of the Company			
– basic	*7*	US$(0.002) cent	US$(0.012) cent
– diluted		US$(0.041) cent	N/A

* *For identification purpose only*

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

	NOTES	30.6.2008 (Unaudited) US$'000	31.12.2007 (Audited) US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	9,211	12,967
Prepaid lease payments		1,468	810
Interests in associates	9	–	–
Other investments	10	15,513	–
		26,192	13,777
CURRENT ASSETS			
Inventories		7,366	6,653
Trade and other receivables	11	2,773	2,370
Deposits and prepayments		1,686	1,585
Prepaid lease payments		81	63
Bank balances and cash		7,508	6,888
		19,414	17,559
CURRENT LIABILITIES			
Trade and other payables	12	9,219	8,858
Derivative financial instruments	13	950	–
Amount due to associates	14	95	98
Amount due to a former associate	14	49	49
Amount due to a shareholder	14	161	702
Amount due to former ultimate holding company	14	–	560
Taxation payable		143	242
Bank and other borrowings			
– amount due within one year	15	9,837	9,769
Convertible notes	16	14,940	–
		35,394	20,278
NET CURRENT LIABILITIES		(15,980)	(2,719)
Total assets less current liabilities		10,212	11,058
Non-current liabilities			
Bank and other borrowings			
– amount due after one year	15	1,067	1,075
		9,145	9,983
CAPITAL AND RESERVES			
Share capital	17	9,197	9,197
Reserves		(2,685)	(2,689)
Equity attributable to equity holders of the Company		6,512	6,508
Minority interests		2,633	3,475
		9,145	9,983

NOTES:

1. General Information

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and principal place of business of the Company is Unit 2807, 28/F, The Center, 99 Queen's Road Central, Central, Hong Kong.

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

The Company acts as an investment holding company. The principal activities of its subsidiaries and associates as at 30 June 2008 are manufacturing and sale of wooden products.

The condensed consolidated financial statements has been approved for issue by the Board on 19 September 2008.

2. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard 34 ("HKAS"), Interim Financial Reporting.

In preparing the condensed consolidated financial statements, the directors have given consideration to the future liquidity of the Group. While recognising that the Group had sustained a net current liabilities of US$15,980,000 as at 30 June 2008, the Group has obtained financial support from a shareholder of the Company, Civil Talent International Limited, to enable the Group to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

3. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

In addition, the Group has applied the following accounting policies during the current interim period.

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

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

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

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

Derivative financial instruments

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

In the current interim period, the Group has applied, for the first time the new interpretations issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2008. The adoption of these new interpretations had no material effect on the results and financial position of the Group for the current or the prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[1]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[2]
HK(IFRIC)-INT 13	Customer loyalty programmes[3]
HK(IFRIC)-INT 15	Agreements for the construction of real estate[1]
HK(IFRIC)-INT 16	Hedges of a net investment in a foreign operation[4]

1 Effective for annual periods beginning on or after 1 January 2009.

2 Effective for annual periods beginning on or after 1 July 2009.

3 Effective for annual periods beginning on or after 1 July 2008.

4 Effective for annual periods beginning on or after 1 October 2008.

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

4. Segment information

Business segments

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

Principal activities:

Blockboard and particle board	–	manufacture and trading of blockboard and particle board products
Door skin	–	manufacture and trading of door skin
Other wooden products	–	manufacture and trading of wooden products other than those identified above

On 20 March 2007, the Group disposed of its entire interest in Fulhua Microelectronics Corporation, a 31.73% associate of the Group which is engaged in the high-technology related business. The high-technology related business division was included as others in the prior period.

For the six months ended 30 June 2008

	Blockboard and particle board	**Door skin**	**Other wooden products**	**Consolidated**
	US$'000	US$'000	US$'000	US$'000
TURNOVER				
External sales	3,843	6,438	383	10,664
SEGMENT RESULT	(1,765)	(3,121)	(15)	(4,901)
Unallocated corporate income				71
Unallocated corporate expenses				(989)
Finance costs				(572)
Gain on disposal of a subsidiary				1,051
Change in fair value of derivative financial instruments				3,613
Loss before taxation				(1,727)
Taxation				–
Loss for the period				(1,727)

For the six months ended 30 June 2007

	Blockboard and particle board US$'000	Door skin US$'000	Other wooden products US$'000	Others US$'000	Consolidated US$'000
TURNOVER					
External sales	4,650	7,526	431	–	12,607
SEGMENT RESULT	(434)	(314)	(18)	52	(714)
Unallocated corporate income					23
Unallocated corporate expenses					(128)
Finance costs					(414)
Gain on disposal of an associate	–	–	–	521	521
Share of results of associates	–	–	–	(354)	(354)
Loss before taxation					(1,066)
Taxation					(351)
Loss for the period					(1,417)

5. **Taxation**

	Six months ended 30 June 2008 *US$'000*	2007 *US$'000*
The charge comprises:		
People's Republic of China (the "PRC")		
Enterprise Income Tax	–	351

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for both periods presented.

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

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

6. Loss for the period

	Six months ended 30 June	
	2008	**2007**
	US$'000	*US$'000*
Loss for the period has been arrived at after charging:		
Allowance for bad and doubtful debts	590	–
Depreciation of property, plant and equipment	1,651	1,555
Loss on disposal of property, plant and equipment	47	–
Write-down of inventories (included in cost of sales) (Note a)	744	1,125
Interest on convertible notes	202	–
and after crediting:		
Interest income	28	15
Value added tax refund (Note b)	–	561

Notes:

(a) The directors compared the carrying amounts of the Group's inventories at 30 June 2008 with their estimated net realisable value, as a result, a write-down of inventories totalling US$744,000 (six months ended 30 June 2007: US$1,125,000) was charged to the condensed consolidated income statement.

(b) Certain subsidiaries of the Company established in the PRC are involved in the production of wooden products which require the use of raw materials that are environmental friendly. Pursuant to the relevant rules and regulations of the PRC governing the value added tax ("VAT") treatment of such subsidiaries, during the six months ended 30 June 2007, VAT totalling US$561,000 (six months ended 30 June 2008: nil) was refunded to these subsidiaries.

* *For identification purpose only*

7. Loss per share

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

	Six months ended 30 June	
	2008	**2007**
	US$'000	*US$'000*
Loss:		
Loss for the period attributable to equity holders of the Company for the purpose of basic earnings per share	(199)	(1,059)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	202	
Change in fair value of embedded conversion option	(3,976)	
Exchange difference of convertible note	(2)	
Loss for the purpose of diluted loss per share	(3,975)	
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	9,197,779,755	9,197,779,755
Effect of dilutive potential ordinary shares:		
Convertible notes	390,869,159	
Weighted average number of ordinary shares for the purpose of diluted loss per share	9,588,648,914	

The computation of diluted loss per share does not assume the exercise of the "Company's outstanding share options" as the exercise price of those options is higher than the average market price for shares during the current period. In addition, it does not assume the exercise of the Company's outstanding warrants since their exercise would result in a decrease in the loss per share.

No diluted loss per share has been presented for the six months ended 30 June 2007 as the exercise of the outstanding share options would result in a decrease in the loss per share.

8. Property, plant and equipment

During the six months ended 30 June 2008, the Group spent approximately US$461,000 (six months ended 30 June 2007: US$441,000) on acquisitions of property, plant and equipment.

During the current period, the directors conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired. An impairment loss of US$3,143,000 (six months ended 30 June 2007: nil) was recognised based on the recoverable amounts of plant and machinery which were determined on the basis of their value in use. The carrying amounts of the plant and machinery were reduced to the respective recoverable amounts. The discount rate in measuring the amounts of value in use was 20.86% in relation to plant and machinery.

9. Interests in associates

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

10. Other investments

The investments classified as available-for-sales investments as at 30 June 2008 comprise:

	30.6.2008	**31.12.2007**
	US$'000	*US$'000*
Equity securities		
Costs of investments	18,629	3,116
Less: Impairment loss recognised	(3,116)	(3,116)
	15,513	–

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

Pursuant to a sale and purchase agreement dated 22 February 2008, a supplemental deed dated 27 February 2008 and a second supplemental agreement dated 30 April 2008 entered between the Company and Sun Boom Limited ("Sun Boom"), an independent third party to the Group, to purchase 20% of the issued share capital of Prowealth Holdings Group Limited ("Prowealth") at a consideration of HK$121,000,000 (equivalent to US$15,513,000) satisfied by issue of convertible note (as detailed in note 16(b)). Prowealth is an investment holding company and its subsidiaries are engaged in seafood trading and processing business in Hong Kong and the PRC. The cost of investment in Prowealth is classified as other investments because the Group is not in a position to exercise significant influence over this company as there are no representatives from the Company in the board of directors of Prowealth.

11. Trade and other receivables

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

The following is an analysis of trade and other receivables, net of allowances for doubtful debts, at the balance sheet date:

	30.6.2008	**31.12.2007**
	US$'000	*US$'000*
Trade receivables, aged		
0-90 days	2,082	904
91-180 days	117	260
More than 180 days	–	79
	2,199	1,243
Other receivables	574	1,127
	2,773	2,370

12. Trade and other payables

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

	30.6.2008	**31.12.2007**
	US$'000	*US$'000*
Trade payables, aged		
0-90 days	641	53
91-180 days	801	794
More than 180 days	2,039	1,847
	3,481	2,694
Amounts payable to minority shareholders of subsidiaries	892	827
Other payables	4,846	4,324
Compensation payable for laid off of employees	–	1,013
	9,219	8,858

13. Derivative financial instruments

	30.6.2008	31.12.2007
	US$'000	*US$'000*
Derivative financial liabilities:		
Warrants	555	–
Embedded conversion option (note 16)	395	–
	950	–

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

Warrants:	30.6.2008
Exercise price	HK$0.074
Share price	HK$0.037
Expected volatility	46.28%
Remaining life	2.05 years
Risk free rate	2.441%

Embedded conversion option represents the fair value of the noteholders' option to convert the convertible bonds issued on 9 April 2008 ("April Convertible Note") and 30 May 2008 ("May SPA Convertible Note") (as detailed in note 16) into equity of the Company, but the conversion will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments. The early redemption option was insignificant in value as the holder is highly improbable to exercise its early redemption option due to current market conditions. The fair value of the embedded conversion options were determined using binomial option pricing model and the inputs into the model at each respective dates were as follow:

April Convertible Note:

	9.4.2008	30.6.2008
Conversion price	HK$0.086	HK$0.086
Share price	HK$0.080	HK$0.037
Expected volatility	46.35%	47.53%
Remaining life	2 years	1.77 years
Risk-free rate	1.311%	2.441%

May SPA Convertible Note:

	30.5.2008	30.6.2008
Conversion price	HK$0.086	HK$0.086
Share price	HK$0.080	HK$0.037
Expected volatility	46.46%	46.71%
Remaining life	2 years	1.91 years
Risk-free rate	2.052%	2.441%

During the six months ended 30 June 2008, US$3,613,000 was recognised as a gain on change in fair value of derivative financial instruments.

14. Amounts due to associates/a former associate/a shareholder/former ultimate holding company

The amounts due to associates, a former associate, a shareholder and former ultimate holding company are unsecured, interest free and repayable on demand.

15. Bank and other borrowings

During the six months ended 30 June 2008, the Group repaid bank loans totalling US$99,000 (six months ended 30 June 2007: US$300,000) and no new bank loans were obtained during both periods. All borrowings bear interest at prevailing market rates and are repayable within five years.

16. Convertible notes

(a) April Convertible Note

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

(b) May SPA Convertible Note

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

The holder may require the Company to redeem the April Convertible Note and May SPA Convertible Note at par at any time from the date of issue up to and including the date which is immediately prior to the date of maturity to repay the outstanding principal amount of the note and the interest accrued.

The April Convertible Note and May SPA Convertible Note contains three components, liability component, embedded conversion option derivative and an early redemption option. The effective interest rate of the liability components of the April Convertible Note and May SPA Convertible Note are 20.79% and 20.86% respectively.

The movement of the components of the April Convertible Note and May SPA Convertible Note during the period is set out below:

	Liability	Embedded conversion option	Total
	US$'000	*US$'000*	*US$'000*
At 1 January 2008	–	–	–
Issued during the period	14,740	4,371	19,111
Change in fair value	–	(3,976)	(3,976)
Interest charged	202	–	202
Exchange difference	(2)	–	(2)
At 30 June 2008	14,940	395	15,335

17. Share capital

	Number of shares	Amount
		US$'000
Ordinary shares of US$0.001 each		
Issued and fully paid		
At 1 January 2008 and 30 June 2008	9,197,779,755	9,197

18 Acquisition of a subsidiary

On 5 June 2008, the Group acquired certain assets through acquisition of 100% equity interest in Maoming Jiaxing Foods Co., Limited from an independent third party, for a consideration of RMB4,800,000 (equivalent to US$700,000).

The net assets acquired in the transaction are as follows:

	Fair value
	US$'000
Net assets acquired	
Property, plant and equipment	20
Prepaid lease payment	665
Other receivables	15
	700

The consideration payable was included in the Group's other payables at 30 June 2008.

19. DISPOSAL OF A SUBSIDIARY

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

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

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

20. LEASING ARRANGEMENTS

The Group as lessee

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

	30.6.2008	**31.12.2007**
	US$'000	*US$'000*
Within one year	267	223
In the second to fifth year inclusive	217	282
	484	505

* *For identification purpose only*

The Group as a lessor

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

	30.6.2008	31.12.2007
	US$'000	*US$'000*
Within one year	–	139
In the second to fifth year inclusive	–	136
	–	275

21. PLEDGE OF ASSETS

At 30 June 2008, the Group had pledged certain properties and plant and equipment with an aggregate carrying amount of US$4,223,000 (31 December 2007: US$5,449,000) to various banks to secure the bank loans and general banking facilities granted to the Group.

22. RELATED PARTY TRANSACTIONS

During the period, the Group has received management service fee income of US$35,000 (six months ended 30 June 2007: nil) from a company controlled by a director of the Company, Mr. Zhang Xi.

The key management personnel of the Group are the directors of the Company. During the six months ended 30 June 2008, no remuneration (six months ended 30 June 2007: nil) were paid to the directors of the Company.

23. POST BALANCE SHEET EVENTS

On 28 May 2008, the Company through its wholly-owned subsidiary, Fulbond Investments Limited, entered into an agreement (the "Agreement") with Sun Boom and Wise Virtue Holdings Limited ("Wise Virtue") to acquire the remaining 80% equity interest in Prowealth at a consideration of HK$484,000,000 (the "Acquisition"). The consideration will be satisfied in the following manner:

(i) HK$323,088,240 is to be satisfied by the issue of 3,756,840,000 ordinary shares of the Company to Wise Virtue on completion; and

(ii) HK$160,911,760 is to be satisfied by the issue of secured convertible notes to be issued by the Company to Sun Boom and Wise Virtue (the "SPA Convertible Notes"). The SPA Convertible Notes shall bear interest at the rate of 6% per annum and (in the absence of an earlier demand by the holder thereof) will be due on the maturity date which is 60 months from the date of issue. The SPA Convertible Notes are convertible into ordinary shares of the Company at a conversion price of HK$0.086 per share ("SPA Conversion Shares").

In addition, the conversion right attaching to the SPA Convertible Notes cannot be exercised and accordingly the Company will not issue the SPA Conversion Shares if and to the extent that the total number of SPA Conversion Shares with voting rights held by the holders of the respective SPA Convertible Notes and parties acting in concert with it within the meaning of the takeover code immediately after the issue of the SPA Conversion Shares would be more than 29.9% of the enlarged issued share capital of the Company or such other amount equal to 0.1% below the amount as may at the relevant time be specified in the takeover code as being the level for triggering a mandatory general offer.

The Acquisition has been approved by the shareholders of the Company at the special general meeting held on 17 July 2008 and is conditional upon the fulfillment and completion of the conditions set out in the Agreement. The Acquisition has not yet completed up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULT

For the six months ended 30 June 2008, the Group recorded a turnover of US$10.66 million (2007: US$12.61 million), representing a decrease of 15% over the same period last year. The Group's unaudited consolidated gross profit dropped by US$0.76 million during the six months ended 30 June 2008 to approximately US$0.98 million from approximately US$1.74 million for the corresponding period last year, the gross profit margin of the Group had droped from about 14% to 9%. The basic loss per share for the six months ended 30 June 2008 was US$0.002 cent (2007: approximately US$0.012 cent) and diluted loss per share was US$0.041 cent.

During the reporting period, the total turnover attributed from 3 segments, namely the door skin, blockboard and particle board and other wooden products. The manufacture and trading of door skin, blockboard and particle board and other wooden products accounted for about 60%, 36% and 4% of the total turnover of the Group.

BUSINESS REVIEW

Timber Business

The Group is engaged in the business of manufacturing and sale of timber related products. In the first half of 2008, the Group recorded a recession result in timber business. Our subsidiary, Jilin Fudun Timber Company Limited ("Fudun"), specializes in the production of molded door skin in the PRC and exports to overseas markets, including Turkey, the Middle East and Pakistan. Fudun has been undergoing a very difficult operating environment in the past few years with an increase in operating and overhead costs coupled with strong competition in the timber industry. In view of the sharp increase in raw materials and energy costs in recent years and the continuous appreciation of RMB, the operating and production costs of the manufacturing bases in the PRC have been increasing.

On 5 June 2008, the Group disposed of its entire interest in Jilin Province Fuchun Timber Co., Ltd., a 55% subsidiary of the Group, to the PRC minority shareholder at a consideration of RMB1,000,000 (equivalent to US$145,000), giving rise to a gain on disposal of US$1,051,000 which was arrived at after accounting for the net surplus of exchange translation reserve of US$234,000 released on disposal. The Directors were of the view that the disposal of the losses marking subsidiary can improve the overall performance of the Group and the gain from disposal could be utilized for general working capital.

Food Processing Business

In order to develop a new line of business in the food processing industry and broaden the source of income, the Group acquired 20% of the entire issued share capital of Prowealth Holdings Group Limited ("Prowealth"). Prowealth holds 100% equity interest in Yield On International Limited and through various intermediary subsidiaries holds 100% equity interest in Maoming Changxing Foods Company Limited and Hainan Jiadexin Foodstuff Company Limited (both companies engaged in the seafood processing business in the PRC). The total consideration of HK$121 million was satisfied by issue of the secured convertible note to the vendor.

To cope with the future production requirements in the food processing business, the Company acquired the entire issued share capital of Maoming Jiaxing Foods Co. Limited ("Maoming") which holds the land use right in a piece of land located in Science & Technology Industrial Zone, Dianbai, Maoming, Guangdong Province* with an approximate total site area of 16,500 square metres. The parcel of land will be used for the construction of ice and cold storage facilities to further develop the seafood trading and processing food business.

Subsequent to the first acquisition of Prowealth in February 2008, the Directors believe that the Group is well positioned to tap into the promising and growing market of the seafood processing business. Thus, the Directors acquired the remaining 80% of Prowealth and further expand and develop in the seafood trading and food processing business. The consideration was HK$484 million and was satisfied by issue of the convertible notes to the vendors. The Directors will re-deploy more resources into this business segment. The acquisition has been approved by the Shareholders at the special general meeting held on 17 July 2008. Details of the acquisition are set out in the circular of the Company dated 30 June 2008.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2008, the bank balances and cash of the Group were US$7,508,000 (2007: US$6,888,000). Total bank and other borrowings as at 30 June 2008 were approximately US$25,844,000 (2007: US$10,844,000). The Group's bank loans are mainly denominated in HK dollar and Renminbi, and its sales and purchases are mainly denominated in Renminbi and US dollars. As the exchange rates of Reminbi and US dollars against Hong Kong dollars were relatively stable during the review period, the Group's exposure to exchange rate fluctuations was relatively low and the Group will closely monitor its foreign exchange exposure. During the six months ended 30 June 2008, the Group repaid bank loans totalling US$99,000 (six months ended 30 June 2007: US$300,000) and no new bank loans were obtained during both periods. All borrowings bear interest at prevailing market rates and are repayable within five years.

As at 30 June 2008, the gearing ratio of the Group was approximately 57% (31 December 2007: 35%) (calculated as a percentage of total borrowings over total assets). The Group's total assets was valued at approximately US$45,606,000 (31 December 2007: US$31,336,000). The ratio of cash to shareholder's equity was approximately 115% (31 December 2007: 106%) (calculated as a percentage of total bank balances and cash over equity attributable to equity holders of the Company). The equity attributable to equity holders of the Company was US$6,512,000 (2007: US$6,508,000).

On 22 February 2008, the Company entered into the Subscription Agreement with the Subscriber in relation to the subscription by the Subscriber of the April Convertible Note with an aggregate principal amount of US$3,700,000 (equivalent to approximately HK$28,860,000). The Convertible Note shall bear interest at the rate of 6.00% per annum and (in the absence of an earlier demand by the holder thereof) will be due on the Maturity Date. The Convertible Note is convertible into Conversion Shares at an initial Conversion Price of HK$0.086 per Conversion Share. The net proceeds from the issue of the April Convertible Note of approximately HK$28,860,000 will be applied towards the general working capital of the Group and/or any suitable investment(s).

CAPITAL STRUCTURE

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

OUTLOOK

The Group believes that it is progressing along a steady growth path. We are performing restructuring strategies to cope with a difficult market competitions and continued operating loss commensurate with previous periods. The Group will look into feasible investment opportunities to diversify risk and broaden the sources of income of the Group. The Group have adequate resources to continue with business operations, and will continue to centralize corporate objective of developing both timber businesses and food processing businesses in order to strengthen the competitiveness, integrating its capital resources and contribute a maximum wealth to our equity holders.

DIVIDENDS

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2008 (2007: Nil).

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the Company's auditor, Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group and discussed, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months period ended 30 June 2008.

CORPORATE GOVERNANCE

The Board is committed to maintain a high standard of corporate governance in the best interests of the shareholders. The corporate governance principles adopted by the Company emphasise a highly efficient board of directors, sound internal control and the transparency and accountability to all shareholders.

The Code on Corporate Governance Practices (the "CG Code") as set out in the Appendix 14 of the Listing Rules stipulates the principles of good corporate governance and two levels of recommendations: (a) Code Provisions and (b) Recommended Best Practices. As disclosed in the Corporate Governance Report contained in the Company's 2007 annual report, the Company has applied the principles under the CG Code, and has been in full compliance with all the Code Provisions and certain Recommended Best Practices as set out in the CG Code. Throughout the reporting period, the Company has been in full compliance with all the Code Provisions and certain Recommended Best Practices as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code set out in Appendix 10 to the Listing Rules. After having made enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the reporting period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any listed securities of the Company.

PUBLICATION OF THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2008

The interim report for the six months ended 30 June 2008 will be despatched to shareholders and will be published on the website of Hong Kong Exchange and Clearing Limited (www.hkex.com.hk) and the website of the Company (www.fulbond.com) in due course.

By Order of the Board
Zhang Xi
Chairman

Hong Kong, 19 September 2008

At the date of this announcement, the Board of Directors comprises three executive Directors, namely Mr. Zhang Xi, Ms. Zhang Huafang and Ms. Catherine Chen and three independent non-executive Directors, namely Mr. Hong Po Kui, Martin, Mr. Yam Tak Fai, Ronald and Mr. Wong Man Hin, Raymond.