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Fulbond Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 1041)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

The board of Directors (the "Board") of Fulbond Holdings Limited (the "Company") hereby announces the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 and the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	NOTES	**2010** **US\$'000**	2009 *US\$'000*
Continuing operations			
Turnover	3	**13,106**	15,605
Cost of sales		**(12,356)**	(13,773)
Gross profit		**750**	1,832
Other income	4	**1,552**	835
Other gains and losses	5	**(90,386)**	(42,026)
Selling and distribution costs		**(1,104)**	(1,283)
Administrative expenses		**(7,151)**	(4,208)
Finance costs	6	**(3,828)**	(6,803)
Loss before taxation		**(100,167)**	(51,653)
Taxation	7	**–**	(84)
Loss for the year from continuing operations		**(100,167)**	(51,737)
Discontinued operation			
Loss for the year from discontinued operation	8	**(678)**	(2,371)
Loss for the year	9	**(100,845)**	(54,108)
Other comprehensive income			
Exchange differences arising on translation to presentation currency		**2**	(557)
Total comprehensive expense for the year		**(100,843)**	(54,665)

	NOTES	**2010**	2009
		US$'000	*US$'000*
Loss for the year attributable to:			
Owners of the Company		**(100,630)**	(53,877)
Non-controlling interests		**(215)**	(231)
		(100,845)	(54,108)
Total comprehensive expense attributable to:			
Owners of the Company		**(100,907)**	(54,434)
Non-controlling interests		**64**	(231)
		(100,843)	(54,665)
Loss per share	*10*		
From continuing and discontinued operations			
– Basic		**US(0.29) cent**	US(0.41) cent
– Diluted		**US(0.31) cent**	US(0.41) cent
From continuing operations			
– Basic		**US(0.29) cent**	US(0.40) cent
– Diluted		**US(0.31) cent**	US(0.40) cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	**2010** **US$'000**	2009 US$'000
Non-current assets			
Property, plant and equipment		**478**	857
Intangible assets		**–**	–
Prepaid lease payments		**556**	636
Goodwill		**–**	–
Interests in associates		**–**	–
Other investments		**–**	–
Club debenture		**–**	–
Deferred taxation		**–**	–
		1,034	1,493
Current assets			
Inventories		**5,830**	5,876
Properties under development		**65,588**	–
Held-for-trading investments		**12,206**	–
Trade and other receivables	*11*	**9,693**	2,982
Deposits and prepayments		**4,707**	1,585
Bank balances and cash		**18,438**	29,183
		116,462	39,626
Assets classified as held for sale		**–**	39,071
		116,462	78,697
Current liabilities			
Trade and other payables	*12*	**11,437**	27,631
Amounts due to associates		**57**	76
Amounts due to directors of subsidiaries		**473**	473
Taxation payable		**331**	319
Obligation under finance lease		**10**	10
Warrants		**–**	10,430
Convertible notes		**–**	26,727
Bank and other borrowings – amount due within one year		**10,280**	10,364
		22,588	76,030
Liabilities associated with assets classified as held for sale		**–**	17,278
		22,588	93,308
Net current assets (liabilities)		**93,874**	(14,611)
Total assets less current liabilities		**94,908**	(13,118)

	2010	2009
	US$'000	*US$'000*
Non-current liabilities		
Convertible notes	**101,764**	46,373
Obligation under finance lease	**10**	20
	101,774	46,393
	(6,866)	(59,511)
Capital and reserves		
Share capital	**45,643**	14,013
Reserves	**(81,048)**	(74,005)
Equity attributable to owners of the Company	**(35,405)**	(59,992)
Non-controlling interests	**28,539**	481
	(6,866)	(59,511)

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of the fact that the Group incurred a loss of US$100,845,000 during the year ended 31 December 2010 and as of that date, the Group had net liabilities of US$6,866,000. The Group has obtained undertaking from a shareholder and Chairman of the Company, Mr. Zhang Xi ("Mr. Zhang"), that Mr. Zhang will provide the Group with financial support in meeting the Group's financial obligations as they fall due in the foreseeable future. The directors of the Company are of the opinion that the Group can continue to refinance its bank borrowings and raise additional bank borrowings, if required, to finance its property development business through the pledge of its land use rights, and on this basis, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

In the current year, the Group has applied all the new and revised Standards and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for 2010 financial year ends. The application of the new and revised Standards and Interpretations in the current year has had no effect on the amounts reported in these consolidated financial statements and disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 1 (Amendments)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[2]
HKFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters[3]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[3]
HKFRS 9	Financial instruments[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 32 (Amendments)	Classification of rights issues[7]
HK(IFRIC*) – INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

* IFRIC represents the IFRS Interpretations Committee.

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 will be adopted in the Group’s consolidated financial statements for the financial year ending 31 December 2013 and that the application of the new Standard has no significant impact on Group’s financial assets and liabilities.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”) in order to allocate resources to segments and to assess their performance. Reported segment information is based on internal management reporting information that is regularly reviewed by the board of directors, being the CODM of the Group. The measurement policies the Group used for segment reporting are the same as those used in its HKFRS financial statements.

The Group’s operations are organised based on the following four business activities. Similarly, the information reported to the CODM is also prepared on such basis.

- Timber – manufacture of and trading in wooden products including blockboard and particle board, door skin and other wooden products;
- Investments in securities – trading of securities;
- Property development – development of properties held for sale; and
- Food processing and distribution – processing and distribution of frozen seafood products.

The operations of investment in securities and property development were introduced to the Group in the current year and the operation of food processing and distribution was discontinued in the current year.

(a) Segment turnover and results

The following is an analysis of the Group's turnover and results by reportable operating segment.

For the year ended 31 December 2010

	Continuing operations				Discontinued operation	
	Timber	Investment in securities	Property development	Total	Food processing and distribution	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
TURNOVER						
External sales	**13,106**	**–**	**–**	**13,106**	**2,281**	**15,387**
RESULT						
Segment result	**651**	**(1,145)**	**(510)**	**(1,004)**	**(101)**	**(1,105)**
Unallocated corporate income				**124**	**–**	**124**
Unallocated corporate expenses				**(6,214)**	**(754)**	**(6,968)**
Other gains and losses				**(89,245)**	**212**	**(89,033)**
Finance costs				**(3,828)**	**(35)**	**(3,863)**
Loss for the year				**(100,167)**	**(678)**	**(100,845)**

For the year ended 31 December 2009

	Continuing operation	Discontinued operation	
	Timber	Food processing and distribution	Total
	US$'000	*US$'000*	*US$'000*
TURNOVER			
External sales	15,605	38,056	53,661
RESULT			
Segment result	(948)	(130)	(1,078)
Unallocated corporate income	94	6	100
Unallocated corporate expenses	(1,970)	(57)	(2,027)
Other gains and losses	(42,026)	(351)	(42,377)
Finance costs	(6,803)	(801)	(7,604)
Impairment loss recognised in respect of intangible assets	–	(2,009)	(2,009)
Loss before taxation	(51,653)	(3,342)	(54,995)
Taxation	(84)	971	887
Loss for the year	(51,737)	(2,371)	(54,108)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment result represents the profit or loss from each segment without allocation of interest income, central administration costs, directors' emoluments, other gains and losses (excluding gains or losses on held-for-trading investments), finance costs and impairment losses recognised in respect of intangible assets. This is the measure reported to the board of directors for the purpose of resource allocation and performance assessment.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable operating segments:

At 31 December 2010

	Continuing operations			
	Timber	**Investment in securities**	**Property development**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***
ASSETS				
Segment assets	**13,299**	**12,231**	**66,147**	**91,677**
Unallocated corporate assets				**25,819**
Consolidated total assets				**117,496**
LIABILITIES				
Segment liabilities	**2,564**	**–**	**31**	**2,595**
Unallocated corporate liabilities				**121,767**
Consolidated total liabilities				**124,362**

At 31 December 2009

	Continuing operation	Discontinued operation	
	Timber	Food processing and distribution	Total
	US$'000	*US$'000*	*US$'000*
ASSETS			
Segment assets	9,348	36,864	46,212
Unallocated corporate assets	31,771	2,207	33,978
Consolidated total assets	41,119	39,071	80,190
LIABILITIES			
Segment liabilities	3,119	3,792	6,911
Unallocated corporate liabilities	119,304	13,486	132,790
Consolidated total liabilities	122,423	17,278	139,701

The Group's unallocated corporate assets at the end of the reporting period mainly consist of other investments, club debentures, bank balances and cash and certain other receivables and prepayments. The Group's unallocated corporate liabilities at the end of the reporting period mainly consist of amounts due to associates/directors of subsidiaries, warrants, convertible notes, bank and other borrowings and certain other creditors and accrued charges.

(c) Other segment information

For the year ended 31 December 2010

	Continuing operations					Discontinued operation	
	Timber *US$'000*	Investment in securities *US$'000*	Property development *US$'000*	Unallocated *US$'000*	Total *US$'000*	Food processing and distribution *US$'000*	Total *US$'000*
Information included in segment results/segment assets:							
Additions to property, plant and equipment	**294**	**–**	**273**	**172**	**739**	**–**	**739**
Amortisation of prepaid lease payments	**42**	**–**	**–**	**–**	**42**	**–**	**42**
Depreciation of property, plant and equipment	**1,074**	**–**	**18**	**44**	**1,136**	**–**	**1,136**

For the year ended 31 December 2009

	Continuing operations			Discontinued operation	
	Timber *US$'000*	Unallocated *US$'000*	Total *US$'000*	Food processing and distribution *US$'000*	Total *US$'000*
Information included in segment results/segment assets:					
Additions to property, plant and equipment	536	178	714	1,006	1,720
Amortisation of prepaid lease payments	30	–	30	22	52
Depreciation of property, plant and equipment	1,415	46	1,461	886	2,347
Gain on disposal of property, plant and equipment	–	4	4	–	4
Impairment loss recognised in respect of intangible assets	–	–	–	2,009	2,009

Substantially all of the Group's operations are located in the People's Republic of China (the "PRC") (country of domicile) and Hong Kong.

The Group's turnover from continuing operations from external customers based on the geographical location of customers are detailed below:

	Turnover from external customers	
	2010	2009
	US$'000	*US$'000*
PRC (country of domicile)	**8,213**	8,800
Middle East	**3,163**	5,434
Asia excluding the PRC	**1,123**	1,001
Others	**607**	370
	13,106	15,605

Included in the Group's non-current assets are amount of US$45,000 (2009: US$48,000) of property, plant and equipment which are located in Hong Kong and all the remaining non-current assets are located in the PRC (place of domicile of the group entities that hold such assets).

(d) Information about major customers

Turnover from customers of the corresponding years contributing 10% of the total sales of the Group are as follows:

	2010	2009
	US$'000	*US$'000*
Customer A[1]	**N/A[3]**	5,938
Customer B[1]	**N/A[3]**	5,323
Customer C[2]	**1,868**	N/A[3]

1 Turnover from the food processing and distribution segment
2 Turnover from the timber segment
3 The corresponding turnover does not contribute over 10% of the total sales of the Group in the current year

4. OTHER INCOME

	Continuing operations		Discontinued operation		Total	
	2010	2009	**2010**	2009	**2010**	2009
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Value added tax refund *(note a)*	**858**	117	**–**	–	**858**	117
Interest income	**124**	94	**–**	6	**124**	100
Sales of scrap materials	**–**	–	**38**	802	**38**	802
Sub-contracting income	**159**	212	**–**	–	**159**	212
Government grants *(note b)*	**261**	261	**–**	710	**261**	971
Others	**150**	151	**50**	227	**200**	378
	1,552	835	**88**	1,745	**1,640**	2,580

Notes:

(a) Certain subsidiaries of the Company established in the PRC are engaged in the production of wooden products which require the use of raw materials that are environmental friendly. Pursuant to the relevant rules and regulations of the PRC governing the value added tax ("VAT"), such subsidiaries were entitled to a VAT refund totalling US$858,000 (2009: US$117,000) for the year ended 31 December 2010.

(b) Government grants represents compensation received for expenditures incurred in relation to energy saving and waste reduction for the Group's timber related business and other subsidies granted for the Group's food processing and distribution business. There were no unfulfilled conditions attached to these grants and, therefore, the Group recognised the grants as income upon receipts.

5. OTHER GAINS AND LOSSES

	Continuing operations		Discontinued operation		Total	
	2010	2009	**2010**	2009	**2010**	2009
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Allowance for bad and doubtful debts	**–**	(85)	**–**	–	**–**	(85)
Gain on disposal of property, plant and equipment	**–**	4	**–**	–	**–**	4
Net loss on derivative financial instruments and warrants	**(94,019)**	(47,035)	**–**	–	**(94,019)**	(47,035)
Gain on early redemption of convertible notes	**4,768**	5,083	**–**	–	**4,768**	5,083
Gain on disposal of a subsidiary	**–**	–	**212**	–	**212**	–
Net loss on held-for-trading investments	**(1,141)**	–	**–**	–	**(1,141)**	–
Net exchange gain (loss)	**6**	7	**–**	(351)	**6**	(344)
	(90,386)	(42,026)	**212**	(351)	**(90,174)**	(42,377)

6. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	2010	2009	**2010**	2009	**2010**	2009
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Interest on:						
– borrowings from banks and other financial institutions wholly repayable within five years	**544**	546	**35**	801	**579**	1,347
– other borrowings	**32**	32	**–**	–	**32**	32
Effective interest expense on convertible notes wholly repayable within five years	**3,252**	6,225	**–**	–	**3,252**	6,225
	3,828	6,803	**35**	801	**3,863**	7,604

7. TAXATION

Tax charge (credit) comprises:

	Continuing operations		Discontinued operation		Total	
	2010	2009	**2010**	2009	**2010**	2009
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
PRC Enterprise Income Tax	**–**	–	**–**	171	**–**	171
Under(over)provision in prior years	**–**	35	**–**	(689)	**–**	(654)
	–	35	**–**	(518)	**–**	(483)
Withholding tax on distributed profit	**–**	49	**–**	–	**–**	49
Deferred taxation	**–**	–	**–**	(453)	**–**	(453)
	–	84	**–**	(971)	**–**	(887)

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

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of PRC subsidiaries is 25%. Tax charge mainly consists of income tax in the PRC attributable to the assessable profits of the Company's subsidiaries established in the PRC.

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

	2010	2009
	US$'000	*US$'000*
Loss before taxation (from continuing operations)	**(100,167)**	(51,653)
Tax at the domestic income tax rate of 25% (2009: 25%) *(note)*	**(25,042)**	(12,913)
Tax effect of expenses not deductible for tax purpose	**23,906**	11,970
Tax effect of income not taxable for tax purpose	**(1,370)**	(1,750)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	99
Tax effect of tax losses not recognised	**2,506**	2,594
Under provision in prior years	**–**	35
Withholding tax on distributed profit	**–**	49
Taxation for the year (relating to continuing operations)	**–**	84

Note: The domestic income tax rate of 25% (2009: 25%) represents the PRC Enterprise Income Tax rate of which the Group's operations are substantially based.

8. DISCONTINUED OPERATION/DISPOSAL OF SUBSIDIARIES

On 4 December 2009, the Group entered into an agreement with Sincerity Shine Holdings Limited ("Sincerity Shine"), being a party connected to the Group, to dispose all of its entire interests in Prowealth Holdings Group Limited ("Prowealth") and its subsidiaries (the "Disposal Group"), which carried out all of the Group's food processing and distribution operation (the "Disposal"). Sincerity Shine is beneficially owned as to 50% by Ms. Huang Yu Wei, being the spouse of Mr. Li Geng ("Mr. Li"). Mr. Li was a substantial shareholder of the Company before Mr. Li disposed of his entire interest in the Company on 4 December 2009. Mr. Li is also a director of Prowealth and has beneficial interest in Wise Virtue Holdings Limited ("Wise Virtue"). Wise Virtue was one of the vendors of Prowealth when Prowealth was acquired by the Group in October 2008. The Disposal was subsequently approved by the shareholders of the Company on 18 January 2010 and completed on 19 January 2010.

The loss for the period from the discontinued operation is analysed as follows:

	1.1.2010 to 19.1.2010 *US$'000*	1.1.2009 to 31.12.2009 *US$'000*
Loss of food processing and distribution operation for the year	**(890)**	(2,371)
Gain on disposal of food processing and distribution operation	**212**	–
	(678)	(2,371)

The results of the Disposal Group for the period from 1 January 2010 to 19 January 2010, which have been included in the consolidated statement of comprehensive income and presented as discontinued operation were as follows:

	1.1.2010 to 19.1.2010 *US$'000*	1.1.2009 to 31.12.2009 *US$'000*
Turnover	**2,281**	38,056
Cost of sales	**(2,201)**	(35,749)
Gross profit	**80**	2,307
Other income	**88**	1,745
Selling and distribution costs	**(18)**	(1,106)
Administrative expenses	**(1,005)**	(3,478)
Impairment loss recognised in respect of intangible assets	**–**	(2,009)
Finance costs	**(35)**	(801)
Loss before taxation	**(890)**	(3,342)
Taxation	**–**	971
Loss for the year	**(890)**	(2,371)

During the current year, the Disposal Group contributed an outflow of US$491,000 (2009: inflow of US$590,000) to the Group's net operating cash flows, paid US$88,000 (2009: US$821,000) in respect of investing activities and contributed US$8,000 (2009: US$1,727,000) in respect of financing activities.

	US$'000
Consideration received:	
Deposits received in 2009	15,742
Cash consideration receivable	5,519
Total consideration	21,261

Analysis of assets and liabilities of the Disposal Group at the date of disposal and 31 December 2009 were as follows:

	19.1.2010	31.12.2009
	US$'000	*US$'000*
Property, plant and equipment	**9,621**	9,649
Prepaid lease payment	**2,424**	2,429
Inventories	**8,981**	9,557
Trade and other receivables	**16,303**	15,986
Tax recoverable	**222**	–
Bank balances and cash	**1,063**	1,450
Total assets	**38,614**	39,071
Trade and other payables	**3,989**	1,825
Other creditors and accrued charges	**358**	1,908
Amounts due to directors	**365**	364
Bank loans	**12,746**	12,719
Others	**107**	462
Total liabilities	**17,565**	17,278
Net assets disposed of	**21,049**	21,793
Gain on disposal of a subsidiary:		
Consideration received and receivable	**21,261**	
Net assets disposed of	**(21,049)**	
Gain on disposal	**212**	
Net cash outflow arising on disposal:		
Cash and cash equivalent disposed of	**(1,063)**	

The assets and liabilities attributable to the Disposal Group were classified as disposal group held for sale and are presented separately in the consolidated statement of financial position at 31 December 2009.

9. LOSS FOR THE YEAR

	Continuing operations		Discontinued operation		Total	
	2010	2009	**2010**	2009	**2010**	2009
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Loss for the year has been arrived at after charging:						
Directors' remuneration						
– Fees	**319**	548	**–**	–	**319**	548
– Salaries and other benefits	**337**	–	**–**	–	**337**	–
– Bonus	**1,544**	–	**–**	–	**1,544**	–
– Other emoluments	**5**	6	**–**	–	**5**	6
	2,205	554	**–**	–	**2,205**	554
Employees' salaries and benefits expenses	**1,332**	1,437	**56**	1,411	**1,388**	2,848
Retirement benefits scheme contributions for staff other than directors	**206**	272	**1**	18	**207**	290
Total employees' benefits expenses	**3,743**	2,263	**57**	1,429	**3,800**	3,692
Amortisation of prepaid lease payments	**42**	30	**–**	22	**42**	52
Amortisation of intangible assets	**–**	–	**–**	530	**–**	530
Auditor's remuneration	**256**	232	**–**	–	**256**	232
Cost of inventories recognised as expense	**12,356**	13,773	**2,201**	35,749	**14,557**	49,522
Depreciation of property, plant and equipment	**1,136**	1,461	**–**	886	**1,136**	2,347
Impairment loss recognised in respect of intangible assets	**–**	–	**–**	2,009	**–**	2,009
Minimum lease payments under operating leases in respect of rented premises	**207**	238	**–**	–	**207**	238

10. LOSS PER SHARE

For continuing and discontinued operations

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

	2010	2009
	US$'000	*US$'000*
Loss:		
Loss for the purpose of basic loss per share	**(100,630)**	(53,877)
Effect of dilutive potential ordinary shares:		
– Interest on convertible notes	**176**	–
– Change in fair value of embedded conversion option and early redemption option	**(14,573)**	–
– Change in fair value of warrants	**(7,292)**	–
– Currency realignment of convertible notes	**(19)**	–
Loss for the purpose of diluted loss per share	**(122,338)**	(53,877)

Number of shares:

	2010	2009
Weighted average number of ordinary shares for purposes of calculation of basic loss per share	**34,965,167,169**	13,011,979,501
Effect of dilutive potential ordinary shares in respect of:		
– Convertible notes	**3,844,837,796**	–
– Warrants	**284,634,735**	–
Weighted average number of ordinary shares for the purpose of calculation of diluted loss per share	**39,094,639,700**	13,011,979,501

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	2010	2009
	US$'000	*US$'000*
Loss for the year attributable to owners of the Company	**(100,630)**	(53,877)
Less: Loss for the year from discontinued operation	**(678)**	(2,371)
Loss for the purpose of basic loss per share from continuing operations	**(99,952)**	(51,506)
Effect of dilutive potential ordinary shares:		
– Interest on convertible loan notes	**176**	–
– Change in fair value of embedded conversion option and early redemption option	**(14,573)**	–
– Change in fair value of warrants	**(7,292)**	–
– Currency realignment of convertible notes	**(19)**	–
Loss for the purpose of diluted loss per share from continuing operations	**(121,660)**	(51,506)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operation

Basic loss per share for the discontinued operation is US0.0019 cent per share (2009: US0.02 cent per share), based on the loss for the year from the discontinued operation of US$678,000 (2009: US$2,371,000) and the denominator is detailed above for basic loss per share. Diluted loss per share for the discontinued operation is US0.0017 cent (2009: US0.02 cent) and the denominator as detailed above for diluted loss per share.

The computation of diluted loss per share for the years ended 31 December 2010 and 31 December 2009 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 both years. It does not assume the conversion of certain convertible notes for the year ended 31 December 2010 since their assumed conversion would result in a decrease in the loss per share. It does not assume the exercise of the Company's outstanding warrants and conversion of all convertible notes for the year ended 31 December 2009 since their exercise and conversion would result in a decrease in the loss per share.

11. TRADE AND OTHER RECEIVABLES

	2010	2009
	US$'000	*US$'000*
Trade receivables, net of allowance	**1,962**	1,159
Bills receivables	**172**	–
Other receivables	**2,040**	1,823
Consideration receivable for disposal of subsidiaries	**5,519**	–
	9,693	2,982

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

The consideration receivable for disposal of subsidiaries is due in July 2011.

The following is an aged analysis of trade receivables based on invoice date at the end of the reporting period:

	2010	2009
	US$'000	*US$'000*
0 – 90 days	**1,962**	1,088
91 – 180 days	**–**	71
	1,962	1,159

All bills receivables of the Group are aged within 60 days at the end of the reporting period.

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

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of US$52,000 (2009: US$60,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the management considered these debts are of good quality and good repayment history. The Group does not hold any collateral over these balances. The average age of these receivables is 53 days (2009: 102 days).

The following is an aged analysis of trade receivables which are past due but not impaired at the end of the reporting period:

	2010	2009
	US$'000	*US$'000*
91-180 days	**52**	60

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

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

Movement in the allowance for doubtful debts

	2010	2009
	US$'000	*US$'000*
At beginning of the year	**1,359**	1,274
Impairment losses recognised	**–**	85
At end of the year	**1,359**	1,359

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$1,359,000 (2009: US$1,359,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

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

	2010	2009
	US$'000	*US$'000*
Hong Kong Dollars	**5,712**	–

12. TRADE AND OTHER PAYABLES

	2010	2009
	US$'000	*US$'000*
Trade payables	**2,706**	2,949
Amounts due to minority shareholders of subsidiaries	**1,235**	896
Dividend payable to minority shareholder of a subsidiary	**2,653**	2,653
Amount due to former director of a subsidiary	**634**	–
Deposit received from disposal of Prowealth	**–**	15,742
Other payables	**4,209**	5,391
	11,437	27,631

The amount(s) due to minority shareholders of subsidiaries/former director of a subsidiary and dividend payable to minority shareholder of a subsidiary are unsecured, interest-free and repayable on demand.

The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	2010	2009
	US$'000	*US$'000*
0 – 90 days	**1,258**	1,527
91 – 180 days	**–**	–
More than 180 days	**1,448**	1,422
	2,706	2,949

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

	2010	2009
	US$'000	*US$'000*
Hong Kong Dollars	**628**	630

DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 December 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2010, the Group's revenue from continuing and discontinued operations decreased to approximately US$15,387,000 from approximately US$53,661,000 in last year, representing a decrease of approximately 71.33%.

Segmental Results

In the current year, the operations of investment in securities and property development were introduced to the Group but the operation of food processing and distribution was discontinued.

The turnover of the timber business for the year decreased to approximately US$13,106,000 from approximately US$15,605,000 in last year, representing a drop of approximately 16.01%. The segment result of the timber business had improved to a profit of approximately US$651,000 from a loss of approximately US$948,000 in 2009.

There was no revenue generated from the operation of property development for the year and its segmental result suffered a loss of approximately US$510,000.

There was no revenue generated from the operation of investment in securities for the year and its segmental result suffered a loss of approximately US$1,145,000.

The turnover of food processing and distribution business for the year decreased to approximately US$2,281,000 from approximately US$38,056,000 in 2009, representing a decrease of approximately 94.01%. Such a decrease was due to only 19 days sales figures before completion of disposal of Prowealth Holding Group Ltd ("Prowealth") on 19 January 2010. The segment result of the food processing and distribution business had suffered a loss of approximately US$101,000 from loss of approximately US$130,000 in 2009, as a result of deteriorating performance in the food processing and distribution business in 2010.

Cost of Sales

The Group's cost of sales from continuing and discontinued operations for the year dropped to approximately US$14,557,000 from approximately US$49,522,000 in last year, representing a decline of approximately 70.60%.

Gross Profit

The Group's gross profit from continuing and discontinued operations for the year decreased to approximately US$830,000 from approximately US$4,139,000 in last year, representing a drop of approximately 79.95%. Accordingly, the gross profit margin dropped to approximately 5.39% for the year from approximately 7.71% in 2009.

Other Income

The Group's other income from continuing and discontinued operations for the year decreased to approximately US$1,640,000 from approximately US$2,580,000 in last year, representing a decrease of approximately 36.43%.

Other Gains and Losses

Other losses of the Group from continuing and discontinued operations amounted to approximately US$90,174,000 for the year while the Group recorded a loss of approximately US$42,377,000 in last year. The significant loss was mainly due to (i) the net losses in fair values on derivative financial instruments and warrants of approximately US$94,019,000 (2009: approximately US$47,035,000) which comprised loss on initial recognition of convertible notes of approximately US$83,443,000 (2009: approximately US$16,086,000), net losses in fair value of embedded conversion option and early redemption option of convertible notes of approximately US$17,868,000 (2009: approximately US$16,770,000) and net gain on fair value of warrants of approximately US$7,292,000 (2009: approximately US$14,179,000); (ii) net gain on early redemption of convertible notes of approximately US$4,768,000 (2009: approximately US$5,083,000) and (iii) the net loss on held-for-trading investments of approximately US$1,141,000 (2009: Nil).

Selling and Distribution Costs

The Group's selling and distribution costs from continuing and discontinued operations for the year decreased to approximately US$1,122,000 from approximately US$2,389,000 in last year, representing a decrease of approximately 53.03%.

Administrative Expenses

The Group's administrative expenses from continuing and discontinued operations for the year slightly increased to approximately US$8,156,000 from approximately US$7,686,000 in last year, representing an increase of approximately 6.12%.

Impairment Loss Recognised in Respect of Intangible Assets

During the year ended 31 December 2009, impairment losses of approximately US$2,009,000 had been recognised in respect of customer relationship and license which were attributable to the food processing and distribution segment. However, there was no such impairment loss recognised in respect of intangible assets in the current year.

Finance Costs

The Group's finance cost from continuing and discontinued operations for the year dropped to approximately US$3,863,000 from approximately US$7,604,000 in last year, representing an improvement of approximately 49.20%. The improvement was mainly resulted from redemption of the Sun Boom Convertible Note and the Wise Virtue Convertible Note.

Loss for the Year and Loss per Share

The Group's loss for the year attributable to owners of the Company increased to approximately US$100,630,000 from approximately US$53,877,000 in last year, representing an increase of approximately 86.78%. Basic loss per share from continuing and discontinued operations of the Group was decreased from US0.41 cent for the year ended 31 December 2009 to US0.29 cent for the year ended 31 December 2010. Meanwhile diluted loss per share was US0.31 cent for the year under review while that for the last year was US0.41 cent.

BUSINESS REVIEW

The Company reviewed the existing businesses of the Group and considered to consolidate certain of its operations. Restructuring of certain of its existing businesses, disposal of under-performing operations of the Group as well as exploration of other business and potential investment opportunities are under consideration.

Timber Business

During the year, timber business resumed to be the core business of the Group. The turnover of the timber business decreased to approximately US$13,106,000 from approximately US$15,605,000 in last year, representing a drop of approximately 16.01%. The segment result of the timber business had recorded a profit of approximately US$651,000 as compared to a loss of approximately US$948,000 in 2009.

Food Processing and Distribution Business

In December 2009, the Company entered into an agreement with a party connected to the Group, to dispose all of its entire interests in Prowealth and its subsidiaries, which carried out all of the Group's food processing and distribution business. The disposal was subsequently approved by its shareholders on 18 January 2010 and completed on 19 January 2010. It resulted in a gain on the disposal of approximately US$212,000.

A loss of approximately US$101,000 together with the shrunken turnover of approximately US$2,281,000 represented the segment result for the 19 days period before the completion of the disposal.

Property Development Businesses

During the year under review, the Group acquired the entire equity interest and shareholder's loan in Allywing Investments Limited ("Allywing") for a consideration of RMB284,848,920 (approximately US$41,916,000). Allywing owns 60% equity interest in Xi'an Yuansheng Enterprises Limited ("Xi'an Yuansheng"), a company established in the PRC, which principally holds a piece of land located in Xian city, the PRC (the "Land"). The acquisition of Allywing symbolizes the Group's diversification of business into the business of property development.

According to the latest development plan, the Group will develop the Land as an area consists of luxury residential buildings and commercial buildings by several phases. For the past few months, the Group commenced certain groundworks on this new business of the Group.

Since the Group did not recorded any revenue from the property development business, a loss of approximately US$510,000 was resulted for the period between the date of acquisition and 31 December 2010.

FUTURE PLANS AND PROSPECTS

Upon completion of the acquisition of Allywing and Xi'an Yuansheng, we commenced our groundwork on the new business immediately. With the few months of operations, we are glad to see the potential growth in value of the development site as recent district development plans indicates that the surrounding areas of the Land will have substantial developments including commercial areas, exhibition centre, luxury hotel and other high class buildings.

For property development business, the Group expects that PRC government will maintain a rather stringent control policy on property sector within a certain period in the future. However, having considered such long-term factors as the continuous growth in the economy of PRC, unceasing acceleration of urbanization and the appreciation in value of RMB, the Group remains cautious yet positive view towards the prospects of property development business in PRC.

Looking forward, we keep our eyes on the Greater China market, especially those industries encouraged by various measures of the PRC government while at the same time we will put possible efforts to advance the Group's portfolio to extensively enhance our number of growth engines. In February 2011, the Company announced its proposed diversification of businesses into the new energy vehicles business through the acquisition of the Lithium Energy Group Limited.

Committed to the two-prong growth strategy, we are confident to deliver fruitful returns to our shareholders.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December, 2010, the Group's cash and bank balances amounted to approximately US$18,438,000 (as at 31 December 2009: approximately US$30,633,000), representing a decline of approximately US$12,195,000. As at 31 December 2010, the bank and other borrowing amounted to approximately US$10,280,000 (as at 31 December 2009: approximately US$23,083,000).

During the year, net cash used in operating activities was approximately US$22,903,000. The net cash used in investing activities was approximately US$39,893,000, which was mainly due to the acquisition of Xi'an Yuansheng amounted approximately US$38,215,000. The net cash from financing activities was approximately US$51,170,000, which was mainly due to net proceeds from the issue of convertible notes of approximately US$64,432,000. As a result, the net decrease in cash and cash equivalents during the year was approximately US$11,626,000.

Exercise of Warrants

During the year, registered holders of 1,229,538,456 warrants exercised their rights to subscribe for 1,229,538,456 ordinary shares in the Company at HK$0.026 per share. The fair value gain of approximately US$881,000 was recognized in respect of fair value changes of the warrant from 1 January 2010 to the dates immediately prior to each exercise dates. A gain of approximately US$6,411,000 was recorded upon the expiry of the 1,980,923,092 warrants on 28 July 2010.

Redemption of Convertible Notes

On 10 December 2009, Sun Boom Limited and Wise Virtue Holdings Limited transferred the April Convertible Note, May SPA Convertible Note, Sun Boom Convertible Note and Wise Virtue Convertible Note to a private investment institution independent of the Company.

On 14 January 2010, the conversion price of Sun Boom Convertible Note and Wise Virtue Convertible Note was adjusted from HK$0.047 to HK$0.044 per share as a result of the completion of the placing of the remaining First Tranche Fulbond Convertible Notes. As a result of the adjustment of conversion price, a net gain of approximately US$650,000 was recognised in the profit or loss in the year.

On 4 March 2010, the holder of Sun Boom Convertible Note and Wise Virtue Convertible Note exercised their options to require the Company to redeem the remaining of Sun Boom Convertible Note and Wise Virtue Convertible Note at the principle amount of approximately US$6,440,000 and approximately US$10,339,000, respectively. During the period up to the date of redemption, a fair value gain of approximately approximately US$4,443,000 was recognised in the profit and loss account. An aggregate gain on early redemption of these convertible notes of approximately US$4,768,000 was recognised in the profit or loss.

Conversion of Convertible Notes

During the year, the holders of the First Tranche Fulbond Convertible Notes exercised its option to convert the convertible note in the aggregate principle amount of HK$270,000,000 to ordinary shares of the Company. The aggregate loss on fair value change of Fulbond Convertible Notes being converted during the year of approximately US$32,108,000 was recognised in profit or loss.

During the year, the holders of the Second Tranche Fulbond Convertible Notes exercised its option to convert the convertible note in the aggregate principle amount of HK$34,000,000 to ordinary shares of the Company. The aggregate loss on fair value change of Fulbond Convertible Notes being converted during the year of approximately US$1,230,000 was recognised in profit or loss.

Issue of Fulbond Convertible Notes

On 6 August 2009, the Company announced that a placing agreement (the "Fulbond CN Placing Agreement") was entered between the Company and a placing agent (the "Placing Agent"), whereby the Placing Agent conditionally agreed to place, on a best efforts basis, zero coupon convertible notes in a maximum aggregate principal amount of HK$800,000,000 (equivalent to approximately US$103,226,000) (the "Fulbond Convertible Notes") which are convertible into ordinary shares of the Company at a conversion price of HK$0.01 per share. All the Fulbond Convertible Notes will mature on 28 December 2012 and can only be redeemed at par at the discretion of the issuer in whole or in part anytime before the maturity date.

The resolution approving the placing agreement was passed at the special general meeting of the Company held on 16 October 2009. The placing of the First Tranche Convertible Notes in the aggregate principal amount of HK$450,000,000 took place in 2 tranches on 29 December 2009 and 14 January 2010. Total fair value of the remaining portion of the First Tranche Convertible Notes at 14 January 2010 was approximately US$92,626,000, representing a loss on initial recognition of US$60,395,000 recognised in profit or loss. During the year ended 31 December 2010, an aggregate fair value gain of approximately US$18,040,000 in respect of the outstanding First Tranche Fulbond Convertible Notes was recognised in the profit or loss.

The resolution approving the placing of the Second Tranche Convertible Notes was passed at the special general meeting of the Company held on 20 July 2010. On 2 August 2010, the Listing Committee of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), upon application by the Company, granted on a conditional basis the listing of and permission to deal in the Conversion Shares (as defined in Circular dated 28 June 2010) which may fall to be issued on exercise of the conversion rights attaching to the Second Tranche Convertible Notes in an aggregate principal amount of HK$250,000,000 (the "HK$250 million CN"). The placing of the HK$250 million CN was completed on 10 August 2010. The total fair value of the note at 10 August 2010 is approximately US$55,249,000, representing a loss on initial recognition of approximately US$23,048,000 recognised in profit or loss.

During the year ended 31 December 2010, an aggregate far value loss of approximately US$7,663,000 in respect of the outstanding Second Tranche Fulbond Convertible Notes was recognised in the profit or loss.

In view of its strong liquidity and financial position, we will have sufficient resources to fund the daily operations and capital expenditure commitments and potential investment.

MATERIAL DISPOSAL OF SUBSIDIARIES

The disposal was approved by the shareholders of the Company and completed on 19 January 2010. Upon the completion of the disposal, the Prowealth has ceased to be subsidiaries of the Company. Part of the consideration in the sum of HK$122,000,000 was received in December 2009, the remaining balance of the consideration in the sum of HK$43,000,000 shall be receivable on or before 20 July 2011.

MATERIAL ACQUISITION AND CONNECTED TRANSACTION

Property Development Project in Xi'an City, PRC

The Acquisition was completed on 13 August 2010. Following the completion of the Acquisition, Allywing has become a wholly-owned subsidiary of the Company and Xi'an Yuansheng has become a non-wholly owned subsidiary of the Company. Referring to the announcements dated on 13 August 2010, the payment of the consideration amounting to RMB284,848,920 was arranged as (i) an amount of RMB260,848,920 was paid in cash to Mr. Zhang Xi on 13 August 2010; (ii) the remaining balance of RMB24,000,000 shall be retained and applied to satisfy the Second Stage Capital Increase (as defined in the Circular dated 28 June 2010) after completion of the Acquisition.

With reference to the announcement dated 29 November 2010 and the circular dated 20 December 2010, Allywing entered into a management agreement with Harvest Day Limited ("Harvest Day"), a company of which 60% issued share capital is owned by sister of Mr. Zhang Xi, the chairman and executive director of the Company. Pursuant to the agreement, Harvest Day would provide management and consultancy services to Allywing in connection with the property development project in Xi'an city, PRC. Allywing would pay to Harvest Day an inclusive management fee of HK$50,000,000 by 3 installments.

The resolution approving the management agreement and the annual cap of management fee payable to Harvest Day was passed at the special general meeting of the Company held 6 January 2011. The first installment of HK$23,000,000 was paid on 7 January 2011 according to terms and conditions of the management agreement.

Acquisition of Lithium Energy and Electric Vehicle Businesses

After the year-end date, the Group entered into an acquisition agreement, pursuant to which the Group has conditionally agreed to acquire the entire issued shares and shareholders' loan of Lithium Energy Group Limited ("LEG") at the consideration of HK$900,000,000. HK$370,000,000 of the consideration shall be settled in cash while the remaining HK$530,000,000 shall be settled by way of allotment and issue of shares.

LEG holds 100% of the issued share capital of China Lithium Electric Vehicle Group (Hong Kong) Limited ("Lithium HK"). Upon completion of reorganization, Lithium HK will hold 100% equity interests in a group of PRC companies that engaged in the research and manufacturing of Lithium-ion battery, production of power motor and controller, and research and manufacturing of vehicle electronics and controller system.

MATERIAL CONTINGENT LIABILITIES

The Group is not aware of any material contingent liabilities as at 31 December 2010.

EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 December 2010, the Company issued an announcement on 2 February 2011 (the "Announcement") in connection with the proposed very substantial acquisition ("VSA") and a summary of details of the Announcement is as follows:

(a) On 13 January 2011, a wholly-owned subsidiary of the Company (the "Purchaser") and Hefu Limited (the "Vendor"), an independent third party, entered into an acquisition agreement (the "Lithium Group Acquisition Agreement"), pursuant to which the Purchaser has conditionally agreed to acquire the sale shares, which represents the entire issued share capital of Lithium Energy Group Ltd. (the "Target Company"), and the shareholder's loan for a consideration of HK$900 million (the "Consideration") of which (i) HK$370 million shall be paid by the Purchaser in cash to the Vendor and (ii) HK$530 million shall be paid by way of allotment and issue of shares of the Company (or those corresponding shares of the Company after Capital Reorganisation becoming effective, as defined in note (d) below) as consideration shares (the "Consideration Shares") to the Vendor in 5 stages in the manner set forth in the section headed "Consideration" of the Announcement.

(b) Pursuant to the Lithium Group Acquisition Agreement, the Vendor has guaranteed to the Company that the Target Company and its subsidiaries (the "Target Group") consolidated net profit for the financial year of the completion date of the VSA (the "Completion Date") and the four financial years immediately after Completion Date will not be less than HK$1.12 billion (the "Profit Target"). In the event that the Profit Target cannot be achieved, the Consideration will be adjusted according to the terms of the Lithium Group Acquisition Agreement in the manner set forth in the section head "Consideration" of the Circular. On 13 January 2011, the Company entered into a placing agreement, respectively with Kingston Securities Limited and Guangdong Securities Limited, as placing agents (the "Share Placing Agreements") and pursuant to the Share Placing Agreements, the Company has conditionally agreed to place in aggregate, 8,823,000,000 new shares after the Capital Reorganisation (the "Reorganised Share") (the "Placing"). The estimated net proceeds from the Placing will be approximately HK$1,484,910,000. The Group intends to apply the net proceeds arising from the Placing to satisfy the Consideration in respect of the proposed VSA; provide general working capital for the Group and/or as funds for the Group's future investment opportunities; and for the future development of the Target Group in the northeastern region of the PRC.

(c) On 13 January 2011, the Company entered into a placing agreement (the "CN Placing Agreement") with a placing agent and pursuant to the CN Placing Agreement, the Company has conditionally agreed to place convertible notes of principal amount of HK$500,000,000 and will carry a right to convert into conversion shares of the Company at the conversion price of, subject to adjustment, HK$0.17 per Reorganised Share. The Group intends to apply the net proceeds obtained from the placing for the future development of the Target Group in the northern region of the PRC in which certain subsidiaries of the Target Company in Tangshan and/or as funds for future investment opportunities of the Group.

(d) The Company intends to put forward for approval by the shareholders of the Company to (i) the proposed acquisition of Lithium Energy Group Limited; and (ii) the proposed reorganisation of the share capital of the Company as set out in the section headed "Proposed Capital Reorganisation and Change of Board Lot Size" of the Announcement (the "Capital Reorganisation"), which involves the following:

- Share consolidation: every 10 existing shares of US$0.001 each in the issued share capital of the Company will be consolidated into one consolidated share of par value US$0.01;

- Capital reduction: upon the Share Consolidation becoming effective, the par value of each issued consolidated share will be reduced from US$0.01 to US$0.001 by cancellation of US$0.009 of the paid-up capital of each issued consolidated share; and

- Share premium reduction: upon the share consolidation and the capital reduction becoming effective, the entire amount standing to the credit of the share premium account of the Company as at the date of the Capital Reorganisation becomes effective will be reduced and cancelled.

CAPITAL STRUCTURE

As at 31 December 2010, the Group's gearing ratio calculated on the basis of warrants, convertible notes, bank and other borrowings of approximately US$112,044,000 (as at 31 December 2009: approximately US$106,613,000) and total assets of approximately US$117,496,000 (as at 31 December 2009: approximately US$80,190,000), was approximately 48.81% (as at 31 December 2009: approximately 57.07%).

PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged certain property, plant and equipment and land use rights with aggregate carrying amounts of approximately US$1,201,000 (2009: approximately US$10,588,000) respectively to various banks and other financial institutions for securing the loans and general credit facilities granted to the Group.

FOREIGN EXCHANGE EXPOSURE

There have been no significant changes in the Group's policy in terms of exchange rate exposure. The Group operates mainly in Hong Kong and Mainland China. Most of the transactions are denominated in Hong Kong dollars ("HKD"), Renminbi ("RMB") and United States dollars ("USD"). The Group is exposed to foreign currency risk primarily through sales that are denominated in United States dollars. The exchange rate of USD against HKD is relatively stable and the related foreign currency risk is considered insignificant. The Group currently does not have a foreign currency hedging policy. However, the management continuously monitors the Group's foreign exchange risk exposure and will consider to hedge significant currency risk exposure should the need arise.

HUMAN RESOURCES

The Group highly values its human resources and aims to attract, retain and develop high caliber individual committed to attaining our objectives. As at 31 December 2010, the Group had approximately 510 employees in HK and PRC. Employees of the Group are remunerated according to their qualifications, experience, job nature, performance and with reference to market conditions. Apart from discretionary performance bonus, the Group also provides other benefits such as medical insurance. The Company also operates a share option scheme for granting of options to eligible employees and Directors.

CHANGE OF DIRECTORSHIP

On 2 July 2010, Mr. Chiu Kong was appointed as executive director of the Company. Mr. Chiu resigned on 20 July 2010 and re-appointed on 20 July 2010.

On 18 March 2011, Mr. Lee Sun Man passed away.

On 28 March 2011, Mr. Chen Guang Lin was appointed as executive director of the Company.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Board considers that good corporate governance of the Company is crucial to safeguard the interests of the Shareholders and enhancing the performance of the Group. The Board and management of the Company are committed to enhancing corporate governance standard, in compliance with the principles set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The Company has, throughout the year, complied with the relevant provisions of the Code, save for the deviation disclosed below.

Under Code Provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. All of the independent non-executive Directors, except Mr. Hong Po Kui, Martin, are not appointed for a specific term. However, all Directors are subject to the retirement and rotation once every three years in accordance with the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

Under Code Provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Mr. Chiu Kong was appointed Director of the Company during the year of 2010. He subjected to election by shareholders at the next following general meeting of the Company after their respective appointments. Therefore, Mr. Chiu, who was appointed by the Board on 2 July 2010, shall hold office only until the SGM and be eligible for re-election at the SGM. Mr. Chiu Kong retired as an executive Director at the SGM on 20 July 2010 and he was re-appointed as an executive Director on 20 July 2010.

Model Code for Directors' Securities Transactions

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

Audit Committee

The Audit Committee comprises four independent non-executive Directors, namely Ms. Ma Yin Fan, Mr. Hong Po Kui, Martin, Mr. Yu Pan and Mr. Leung Hoi Ying. It is principally responsible for reviewing the accounting principles and practices adopted by the Group, as well as discussing and reviewing with management the internal control, auditing and financial reporting matters of the Group, including reviewing the audited annual financial statements of the Group for the year ended 31 December 2010.

Remuneration Committee

The Remuneration Committee comprises chairman of the Company and four independent non-executive Directors, namely Mr. Zhang Xi, Mr. Hong Po Kui, Martin, Mr. Yu Pan, Mr. Leung Hoi Ying and Ms. Ma Yin Fan. It is primarily responsible for offering advice to the Board on the matters pertaining to the remuneration policy and remuneration structure of the directors and senior management of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2010 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

INTERNAL CONTROL

The Board acknowledges its responsibility for the Group's system of internal control system to safeguard shareholders' investment and reviewing the effectiveness of such on an annual basis under Code Provision C.2.1.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2010.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company's website (www.fulbond.com). The 2010 Annual Report will be despatched to our shareholders on or before Friday, 29 April 2011 and will be available on the above websites in due course.

APPRECIATION

On behalf of the Board, my sincere thank to our loyal shareholders, suppliers and customers for their continuous support to the Group. I would also extend my gratitude and appreciation to our management and all staff for their hard works and dedication throughout the year.

By order of the Board
Fulbond Holdings Limited
Zhang Xi
Chairman

Hong Kong, 30 March 2011

As at the date of this announcement, the executive Directors of the Company are Mr. Zhang Xi, Ms. Catherine Chen, Mr. Chiu Kong, Mr. Yeung Kwok Yu, Mr. Kwan Kam Hung, Jimmy, Mr. Wah Wang Kei, Jackie and Mr. Chen Guang Lin; and the independent non-executive Directors of the Company are Mr. Hong Po Kui, Martin, Ms. Ma Yin Fan, Mr. Leung Hoi Ying and Mr. Yu Pan.