福 邦 控 股

Fulbond Holdings Limited

(Incorporated in the Bermuda with limited liability)

(Stock Code: 1041)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

The board of directors (the "Board") of Fulbond Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2011.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Continuing operations			
Turnover	*3*	**32,328**	42,517
Cost of sales		**(70,563)**	(63,936)
Gross loss		**(38,235)**	(21,419)
Other income	*6*	**2,397**	1,025
Other gains and losses	*7*	**(482,671)**	(400,430)
Selling and distribution costs		**(3,165)**	(3,991)
Administrative expenses		**(68,101)**	(20,744)
Finance costs		**(18,868)**	(15,911)
Loss before taxation		**(608,643)**	(461,470)
Taxation	*4*	**–**	–
Loss for the period from continuing operations	*8*	**(608,643)**	(461,470)
Discontinued operation			
Loss for the period from discontinued operation	*5*	**–**	(5,267)
Loss for the period		**(608,643)**	(466,737)
Other comprehensive income			
Exchange differences arising on translation to presentation currency		**38,134**	3,555
Total comprehensive income for the period		**(570,509)**	(463,182)

	Notes	Six months ended 30 June **2011** ***HK$'000*** **(Unaudited)**	2010 *HK$'000* (Unaudited)
Loss for the period attributable to:			
Owners of the Company		**(586,902)**	(457,081)
Non-controlling interests		**(21,741)**	(9,656)
		(608,643)	(466,737)
Total comprehensive income attributable to:			
Owners of the Company		**(551,021)**	(453,838)
Non-controlling interests		**(19,488)**	(9,344)
		(570,509)	(463,182)
Loss per share	*9*		
From continuing and discontinued operations			
– basic		**HK(12.859) cents**	HK(16.973) cents
– diluted		**HK(12.859) cents**	HK(19.963) cents
From continuing operations			
– basic		**HK(12.859) cents**	HK(16.778) cents
– diluted		**HK(12.859) cents**	HK(19.783) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	30.6.2011 HK$'000 (Unaudited)	31.12.2010 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**4,542**	3,723
Prepaid lease payments		**4,192**	4,331
Interests in associates		**–**	–
Other investments		**–**	–
Club debenture		**–**	–
		8,734	8,054
Current assets			
Inventories		**18,949**	45,378
Properties under development		**523,783**	510,475
Trade and other receivables	*10*	**75,376**	75,432
Deposits and prepayments		**29,594**	36,636
Held-for-trading investments	*11*	**118,192**	95,002
Bank balances and cash		**87,080**	143,492
		852,974	906,415
Current liabilities			
Trade and other payables	*12*	**96,971**	89,008
Amounts due to associates		**379**	445
Amounts due to directors of subsidiaries		**3,684**	3,684
Taxation payable		**2,621**	2,577
Obligation under finance lease		**39**	77
Convertible notes		**–**	–
Bank and other borrowings – amount due within one year		**81,795**	80,006
		185,489	175,797
Net current assets		**667,485**	730,618
Total assets less current liabilities		**676,219**	738,672

	30.6.2011	31.12.2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current liabilities		
Convertible notes	**1,300,084**	792,028
Obligation under finance lease	**77**	77
	1,300,161	792,105
	(623,942)	(53,433)
Capital and reserves		
Share capital	**35,524**	355,239
Reserves	**(862,103)**	(630,797)
Equity attributable to owners of the Company	**(826,579)**	(275,558)
Non-controlling interests	**202,637**	222,125
	(623,942)	(53,433)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. 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 of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

In preparing the condensed 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 HK$608,643,000 during the six months ended 30 June 2011 and as of that date, the Group had net liabilities of HK$623,942,000. The Group has obtained undertaking from a shareholder and Joint 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 condensed consolidated financial statements have been prepared on a going concern basis.

In prior years, the Company's presentation currency was United States dollars ("US$''). During the current interim period, the directors of the Company have changed the presentation currency of the Company from US$ to Hong Kong dollars ("HK$") with effect from 1 January 2011. The condensed consolidated financial statements for this interim period are presented in HK$ as the directors consider that HK$ is the appropriate presentation currency since the Company is a public company with the shares listed on the Stock Exchange where most of its investors are located. The comparative figures at 31 December 2010 and the six months ended 30 June 2010 have been restated to present in HK$.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied for the first time some revised Standards and Interpretations (hereinafter collectively referred to as "new or revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2011. The adoption of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and disclosures set out in these condensed consolidated financial statements.

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

HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[1]
HKFRS 9	Financial instruments[2]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangemnents[2]
HKFRS 12	Disclosures of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 1 (Revised in 2011)	Presentation of financial statements – Presentation of items of other comprehensive income[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[3]
HKAS 19 (Revised in 2011)	Employee benefits[2]
HKAS 27 (Revised in 2011)	Separate financial statements[2]
HKAS 28 (Revised in 2011)	Investments in associates and joint ventures[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2012.
4 Effective for annual periods beginning on or after 1 July 2012.

The directors of the Company anticipate that the application of the other new and revised standards will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

For the six months ended 30 June 2011

	Continuing operations			
	Property development *HK$'000*	**Investment in security** *HK$'000*	**Timber** *HK$'000*	**Total** *HK$'000*
TURNOVER				
External sales	**–**	**–**	**32,328**	**32,328**
SEGMENT RESULT	**(5,486)**	**7,815**	**(55,072)**	**(52,743)**
Unallocated corporate income				**701**
Unallocated corporate expenses				**(47,234)**
Other gains and losses				**(490,499)**
Finance costs				**(18,868)**
Loss for the period				**(608,643)**

For the six months ended 30 June 2010

	Continuing operations				Discontinued operation	
	Property development *HK$'000*	Investment in security *HK$'000*	Timber *HK$'000*	Total *HK$'000*	Food processing and distribution *HK$'000*	Total *HK$'000*
TURNOVER						
External sales	–	–	42,517	42,517	17,719	60,236
SEGMENT RESULT	–	(7,434)	(29,339)	(36,773)	(787)	(37,560)
Unallocated corporate income				447	–	447
Unallocated corporate expenses				(16,229)	(5,855)	(22,084)
Other gains and losses				(393,004)	1,647	(391,357)
Finance costs				(15,911)	(272)	(16,183)
Loss for the period				(461,470)	(5,267)	(466,737)

Segment result represents loss or profit from each segment without allocation of interest income, central administrative costs, directors' emoluments, other gains and losses and finance costs. This is the measure regularly reported to the board of directors of the Company for the purpose of resource allocation and performance assessment.

4. TAXATION

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 periods presented.

No provision for the People's Republic of China (the "PRC") Enterprise Income Tax has been made as those subsidiaries established in the PRC have no assessable profits for both periods presented.

5. DISCONTINUED OPERATION

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 discontinued operation is analysed as follows:

	1.1.2010 to 19.1.2010 *HK$'000*
Loss of food processing and distribution operation for the period	(6,914)
Gain on disposal of food processing and distribution operation	1,647
	(5,267)

The results of the Disposal Group for the period from 1 January 2010 to 19 January 2010 which have been included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2010 and presented as discontinued operations were as follows:

	1.1.2010 to 19.1.2010 *HK$'000*
Turnover	17,720
Cost of sales	(17,095)
Gross profit	625
Other income	686
Selling and distribution costs	(147)
Administrative expenses	(7,806)
Finance costs	(272)
Loss for the period	(6,914)

	HK$'000
Consideration received:	
Deposit received in 2009	122,000
Cash consideration receivable *(note 10)*	43,000
Total consideration	165,000

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

	19.1.2010
	HK$'000
Property, plant and equipment	74,669
Prepaid lease payments	18,812
Inventories	69,696
Trade and other receivables	126,519
Tax recoverable	1,722
Bank balances and cash	8,252
Total assets	299,670
Trade and other payables	30,960
Other creditors and accrued charges	2,778
Amounts due to directors	2,828
Bank loans	98,920
Others	831
Total liabilities	136,317
Net assets disposal of	163,353
Gain on disposal of subsidiaries:	
Consideration received and receivable	165,000
Net assets disposed of	(163,353)
Gain on disposal	1,647
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	8,252

The balance of consideration receivable will be settled in cash by the purchaser on or before 31 December 2011.

6. OTHER INCOME

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Interest income	**712**	447
Sales of scrap materials	**–**	527
Insurance indemnification	**1,089**	–
Others	**596**	51
	2,397	1,025

7. OTHER GAINS AND LOSSES

	Six months ended 30 June 2011 HK$'000	2010 HK$'000
Continuing operations		
Change in fair value of held-for-trading investments	**7,828**	(7,426)
Net losses on fair value change of derivative financial instruments	**(490,499)**	(430,041)
Gain on early redemption of convertible notes	**–**	37,037
	(482,671)	(400,430)

8. LOSS FOR THE PERIOD

	Six months ended 30 June 2011 HK$'000	2010 HK$'000
Continuing operations		
Loss for the period has been arrived at after charging:		
Allowance for obsolete inventories (included in cost of sales) *(Note)*	**40,979**	28,309
Allowance for bad and doubtful debt	**5,959**	–
Deposits and prepayments written off	**2,709**	–
Release of prepaid lease payments	**112**	101
Depreciation of property, plant and equipment	**207**	6,236
Interest expense on convertible notes	**17,557**	14,843

Note: At 30 June 2011, the directors conducted a review of the Group's inventories and considered certain inventories are obsolete, as a result, an allowance of HK$40,979,000 (six months ended 30 June 2010: HK$28,309,000) was charged to the condensed consolidated statement of comprehensive income.

9. 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:

	Six months ended 30 June 2011 HK$'000	2010 HK$'000
Loss:		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(586,902)**	(457,081)
Effect of dilutive potential ordinary shares:		
– Interest on convertible notes	**–**	1,366
– Change in fair value of embedded conversion option and early redemption option	**–**	(39,557)
– Change in fair value of warrants	**–**	(88,104)
– Exchange realignment of convertible notes	**–**	(390)
Loss for the purpose of diluted loss per share	**(586,902)**	(583,766)

	Six months ended 30 June	
	2011	2010
		(Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	**4,564,292,763**	2,692,909,615
Effect of dilutive potential ordinary shares in respect of convertible notes	**–**	103,047,401
Effect of dilutive potential ordinary shares in respect of warrants	**–**	128,282,257
Weighted average number of ordinary shares for the purpose of diluted loss per share	**4,564,292,763**	2,924,239,273

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:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Loss for the period attributable to owners of the Company	**(586,902)**	(457,081)
Less: Loss for the period from discontinued operation	**–**	(5,267)
Loss for the purpose of basic loss per share from continuing operations	**(586,902)**	(451,814)
Effect of dilutive potential ordinary shares:		
– Interest on convertible loan notes	**–**	1,366
– Change in fair value of embedded conversion option and early redemption option	**–**	(39,557)
– Change in fair value of warrants	**–**	(88,104)
– Exchange realignment of convertible notes	**–**	(390)
Loss for the purpose of diluted loss per share from continuing operations	**(586,902)**	(578,499)

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

From discontinued operation

Basic loss per share for discontinued operation for the six months ended 30 June 2010 is HK0.20 cent per share, based on the loss for the period from discontinued operation of HK$5,267,000 and the denominator as detailed above for basic loss per share from continuing and discontinued operations. No diluted loss per share for discontinued operation has been presented as the assumed conversion of certain convertible notes and exercise of warrants would result in a decrease in the loss per share.

The computation of diluted loss per share for the six months ended 30 June 2011 and 30 June 2010 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 periods. It does not assume the conversion of all convertible notes for the six months ended 30 June 2011 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 certain convertible notes for the six months ended 30 June 2010 since their assumed exercise and conversion would result in a decrease in the loss per share.

10. 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 end of the reporting period:

	30.6.2011	31.12.2010
	HK$'000	*HK$'000*
Trade receivables, aged		
0 – 90 days	**7,928**	15,271
Bills receivables	**3,532**	1,339
Other receivables	**20,916**	15,822
Consideration receivable for disposal of subsidiaries	**43,000**	43,000
	75,376	75,432

11. HELD-FOR-TRADING INVESTMENTS

	30.6.2011	31.12.2010
	HK$'000	*HK$'000*
Held-for-trading investments include:		
Equity securities listed in Hong Kong	**118,192**	95,002

12. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables at the end of the reporting period:

	30.6.2011	31.12.2010
	HK$'000	*HK$'000*
Trade payables, aged		
0 – 90 days	**7,744**	9,791
91 – 180 days	**–**	–
More than 180 days	**15,448**	11,274
	23,192	21,065
Amounts payable to minority shareholders of subsidiaries	**7,369**	9,613
Dividend payable to minority shareholder of a subsidiary	**20,648**	20,648
Amount due to former director of a subsidiary	**5,348**	4,934
Other payables	**40,414**	32,748
	96,971	89,008

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend in respect of the six months ended 30 June 2011 (six months ended 30 June 2010: Nil). Accordingly, no closure of Register of Members of the Company is proposed.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

Revenue

In the first half of year 2011, the Group's revenue was approximately HK$32.33 million (1.1.2010 to 30.6.2010: approximately HK$60.24 million) representing a drop of 46.33% as compared with the corresponding period last year. The drop in revenue was partly due to the disposal of the food processing and distribution business, which therefore did not generate revenue for the Group during the reporting period.

The gross loss for the reporting period was approximately HK$38.24 million (1.1.2010 to 30.6.2010: loss of approximately HK$20.79 million).

Segmental Results

Timber business

The turnover of the timber business for the reporting period declined to approximately HK$32.33 million from approximately HK$42.52 million in the corresponding period in 2010, representing a drop of 23.97%. The drop in revenue was mainly due to a decrease in sales of particle board from approximately HK$19.47 million in the same period last year to approximately HK$7.24 million in the current period.

The segment result of the timber business had suffered a loss of approximately HK$55.07 million (1.1.2010 to 30.6.2010: loss of approximately HK$29.34 million). The significant loss was mainly due to the allowance for obsolete inventories of approximately HK$40.98 million (1.1.2010 to 30.6.2010: approximately HK$28.31 million).

Property development business

There was no revenue generated from the operation of property development for the reporting period (1.1.2010 to 30.6.2010: Nil) and its segmental result suffered a loss of approximately HK$5.49 million (1.1.2010 to 30.6.2010: Nil).

Investment in securities business

There was no revenue generated from the operation of investment in securities for the reporting period (1.1.2010 to 30.6.2010: Nil) and its segmental profits were approximately HK$7.82 million (1.1.2010 to 30.6.2010: loss of approximately HK$7.43 million).

Food processing and distribution business

Due to the completion of the disposal of food processing and distribution business on 19 January 2010, there was no revenue generated from such business during the reporting period (1.1.2010 to 30.6.2010: approximately HK$17.72 million).

No segment result was accounted for the food processing and distribution business during the reporting period as it was already disposed in January 2010 (1.1.2010 to 30.6.2010: loss of approximately HK$0.79 million).

Cost of Sales

The Group's cost of sales for the reporting period decreased to approximately HK$70.56 million from approximately HK$81.03 million in the corresponding period last year.

Gross Loss

The Group recorded a gross loss of approximately HK$38.24 million during the current period (1.1.2010 to 30.6.2010: approximately HK$20.79 million). Allowance for obsolete inventories of approximately HK$40.98 million (1.1.2010 to 30.6.2010: approximately HK$28.31 million) was the major factor for the increase in gross loss in the current period.

Other Income

The Group's other income for the reporting period increased to approximately HK$2.40 million from approximately HK$1.71 million for the corresponding period in 2010.

Other Gains and Losses

Other losses of the Group amounted to approximately HK$482.67 million for the reporting period (1.1.2010 to 30.6.2010: approximately HK$400.43 million). The significant loss mainly consisted of the net losses on fair value change of derivative financial instruments of approximately HK$490.50 million (1.1.2010 to 30.6.2010: approximately HK$430.04 million).

Selling and Distribution Costs

The Group's selling and distribution costs for the reporting period decreased to approximately HK$3.17 million from approximately HK$4.14 million for the same period in 2010. Such decrease was arising from the decrease in revenue recorded in the current period.

During the reporting period, all the selling and distribution costs of the Group were incurred for the timber business.

Administrative Expenses

The Group's administrative expenses for the reporting period rose to approximately HK$68.10 million from approximately HK$28.55 million in the corresponding period in 2010. The significant increase was due to the management fee of approximately HK$23 million paid in connection with a property development project in Xi'an city, the People's Republic of China ("PRC").

Allowance for bad and doubtful debt of approximately HK$5.96 million and writing off of unrecoverable deposits and prepayments of approximately HK$2.71 million in relation to timber business also partly contributed to the increase in administrative expenses during the current period.

Finance Costs

The Group's finance costs for the reporting period increased to approximately HK$18.87 million from approximately HK$16.18 million in the corresponding period in 2010.

Loss for the Period and Loss Per Share

The Group's loss attributable to owners of the Company for the reporting period increased to approximately HK$586.90 million from approximately HK$457.08 million in the corresponding period last year. The increase in loss was mainly due to the increase in net losses on fair value change of the derivatives financial instruments as well as administrative expenses. Basic loss per share from continuing operations of the Group was decreased from HK16.778 cents per share for the six months ended 30 June 2010 to HK12.859 cents per share for the six months ended 30 June 2011. Meanwhile, diluted loss per share was HK12.859 cents per share for the six months ended 30 June 2011 (1.1.2010 to 30.6.2010: HK19.783 cents).

BUSINESS REVIEW

Starting from the year of 2011, the direction of the global economy has once again turned complex with numerous challenges ahead for the business environment and a weak demand for regular export markets. The rapid growth in the China market over the years has also exerted pressures on the PRC Government as it fights to control rapid inflation through a series of monetary measures resulting in liquidity shortages for certain industries.

Timber business

During the reporting period, the Group's businesses were also subject to external economic variability, in particular our China businesses. On one hand, there was a rising inflationary pressure on labour and input costs, whilst on the other hand, market demand remained subdued from the expectation of further measures implemented by the PRC Government to restrict property purchases and tighten mortgage lending. As such, the Group's local sales in the PRC dropped by 42.33% when compared with the corresponding period last year. In particular, the sales of particle board decreased to approximately HK$7.24 million, representing a decrease of 62.82% as compared with the same period in 2010.

Property development business

According to the existing development plan, the Group will develop a site at Xi'an city, the PRC (the "Site") as an area which consists of luxury residential buildings and commercial buildings by several phases.

Since it is still in the preliminary stage of developing the Site, the Group did not record any revenue from the property development business for the reporting period but a loss of approximately HK$5.49 million.

Investment in securities business

There was no revenue generated from the operation of investment in securities for the reporting period and its segment profits of approximately HK$7.82 million was arising from the gain on change in fair value of held-for-trading investments.

FUTURE PROSPECTS

Despite the sovereign debt crises in Europe and the United States, China has managed to stay relatively intact without a direct impact on its economy and maintain a fast rate of growth.

On the other hand, as China is confronted by intense inflationary pressure, the PRC Government has increased interest rates twice in the first half of 2011 and raised the bank reserve requirements for six times in order to control money supply more stringently. In addition, most of the first-tier Mainland cities such as Beijing and Shanghai have imposed restrictions on property purchases. The PRC Government is gradually extending similar purchase restrictions to second and third-tier cities.

We expect that the timber business may continue to be adversely affected by the decrease in demand for our wooden products as part of the building or decorative materials caused by slow growth in the property markets in China.

Since the property development project of the Group is still under development, the impact of various restrictive measures currently implemented by the PRC Government has yet to affect the Group severely. The Group will closely monitor the development of any policies and measures that will be introduced by the PRC Government in order to take necessary actions to reduce any unexpected downside effects as well as to take advantage of any favourable measures.

The Group will continue to dedicate its efforts to the development of its existing businesses and other high potential projects in the PRC with a view to providing steady returns as well as fruitful growth for the shareholders.

On 13 January 2011, Fulbond Investments Limited (the "Purchaser"), a wholly owned subsidiary of the Company, and Hefu Limited (the "Vendor"), an independent third party, entered into an acquisition agreement (the "Acquisition Agreement"), pursuant to which the Purchaser conditionally agreed to acquire an aggregate of 50,000 shares of US$1.00 each in the share capital of Lithium Energy Group Ltd. (the "Target Company"), which represents its entire issued share capital, and the shareholder's loan at a consideration of HK$900 million (the "Acquisition").

Pursuant to the Acquisition Agreement, the Vendor has guaranteed to the Group that the audited consolidated net profit after taxation and minority interest but before non-recurring income and extraordinary income and non-operating income of the Target Company and its subsidiaries (the "Target Group") for the audited financial year of the completion date of the Acquisition and the four financial years immediately thereafter will not be less than HK$1.12 billion.

Details of the Acquisition were set out in the circular of the Company dated 25 May 2011 (the "Circular"). The Group believes that the Acquisition not only widens the Group's revenue streams but also enables the Group to participate in a potentially high growth industry advocated by the PRC Government.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group's bank balances and cash was approximately HK$87.08 million (31 December 2010: approximately HK$143.49 million), representing a decrease of 39.31%. The bank and other borrowings amounted to approximately HK$81.80 million (31 December 2010: approximately HK$80.01 million), representing an increase of 2.24%.

As at 30 June 2011, the current ratio (current assets/current liabilities) was 4.60 times (31 December 2010: 5.16 times) and the net current assets amounted to approximately HK$667.49 million (31 December 2010: approximately HK$730.62 million).

During the reporting period, net cash used in operating activities was approximately HK$54.04 million. As a result, the net decrease in cash and cash equivalents during the reporting period was approximately HK$55.35 million.

No issue, redemption and conversion of Convertible Notes

There was no issue, redemption and conversion of convertible notes during the reporting period. All operations of the Group were financed by funds generated internally.

VERY SUBSTANTIAL ACQUISITION AND PLACING ARRANGEMENTS

The Purchaser and the Vendor had entered into the Acquisition Agreement on 13 January 2011, pursuant to which the Purchaser conditionally agreed to acquire the entire issued share capital of the Target Company, and the shareholder's loan at 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 as consideration shares to the Vendor in 5 stages in the manner set out in the sub-section headed "Consideration" under the section headed "The Acquisition Agreement" of the Circular.

Target Company 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 approximately 100% equity interests in a group of PRC companies (the "LEG Group") 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.

Pursuant to the Acquisition Agreement, the Vendor has guaranteed to the Group that the audited consolidated net profit of LEG Group for the financial year of the completion date of the Acquisition and the four audited financial years immediately following 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 Acquisition Agreement in the manner set out in the sub-section headed "Consideration" under the section headed "The Acquisition Agreement" of the Circular.

Share placing

On 13 January 2011, the Company entered into a placing agreement, with each of Kingston Securities Limited ("Kingston") and Guangdong Securities Limited (collectively, the "Placing Agents") respectively as placing agents (the "Share Placing Agreements"), pursuant to the Share Placing Agreements, the Placing Agents conditionally agreed with the Company to place, on a best effort basis, an aggregate of 8,823,000,000 new shares (the "Reorganised Shares") after the capital reorganisation (the "Placing"). The estimated net proceeds from the Placing will be approximately HK$1.48 billion. The Group intends to apply the net proceeds arising from the Placing to satisfy (i) the Consideration in respect of the Acquisition; (ii) provide general working capital for the Group and/or as funds for the Group's future investment opportunities; and (iii) for the future development of the LEG Group.

CN placing

On 13 January 2011, the Company entered into a placing agreement (the "CN Placing Agreement") with Kingston, pursuant to the CN Placing Agreement, Kingston conditionally agreed to place, on a best effort basis, convertible notes with a maximum aggregate principal amount of HK$500,000,000 ("CN Placing") which carry a right to convert into shares of the Company at a conversion price of, subject to adjustment, HK$0.17 per Reorganised Share. The Group intends to apply the net proceeds obtained from the CN Placing for the future development of the LEG Group and/or as funds for future investment opportunities of the Group.

RELATED PARTIES TRANSACTION

With reference to the announcement dated 29 November 2010 and the circular dated 20 December 2010, on 29 November 2010, Allywing Investments Limited ("Allywing"), a wholly owned subsidiary of the Company, entered into a management agreement with Harvest Day Limited ("Harvest Day"), a company of which 60% issued share capital is held by a sister of Mr. Zhang Xi, the joint chairman and an 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, the 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 caps of management fee payable to Harvest Day was passed at the special general meeting of the Company held on 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.

CHANGE OF COMPANY NAME

The change of the Company's name was approved at the special general meeting held on 5 August 2011. The Company is taking steps to change its English name from "Fulbond Holdings Limited" to "China New Energy Power Group Limited" and will adopt "中國新能源動力集團有限公司" as its Chinese secondary name in place of "福邦控股有限公司". The change of the Company's name can better reflect the Company's new future business direction, while highlighting its new business strategies in the development of lithium-ion battery and electric vehicles.

The Company will make further announcement(s) on the effective date of, among others, the proposed change of Company name, and the change in the stock short name on the Stock Exchange upon the proposed change of Company name becoming effective.

CAPITAL STRUCTURE

The special resolution approving the capital reorganisation ("Capital Reorganisation") was passed at the special general meeting of the Company held on 21 June 2011, the Capital Reorganisation involved the following:

i) Share consolidation ("Share Consolidation")	every 10 shares of US$0.001 each in the issued share capital of the Company prior to Capital Reorganisation were consolidated into one share of par value US$0.01 each ("Consolidated Share")
ii) Capital reduction ("Capital Reduction")	upon the Share Consolidation becoming effective, the par value of each issued Consolidated Share was 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
iii) 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 become effective was reduced and cancelled.

During the reporting period, holders of share options under the share option scheme of the Company adopted on 19 November 2001 (as amended by an addendum effective on 22 February 2011) ("Share Option Scheme") exercised their rights to subscribe for 2,568 ordinary shares in the Company at a subscription price of HK$0.041 per share. After the issuance of shares according to the Share Option Scheme, the number of the Company's issued shares became 45,642,930,000 shares before the Capital Reorganisation become effective.

On 22 June 2011, the Capital Reorganisation become effective and the number of the Company's issued shares become 4,564,293,000 shares.

As at 30 June 2011, the Group's gearing ratio calculated on the basis of convertible notes, bank and other borrowings of approximately HK$1,381.88 million (31 December 2010: approximately HK$872.03 million) and total assets of approximately HK$861.71 million (31 December 2010: approximately HK$914.47 million), was 61.59% (31 December 2010: 48.81%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

There have been no significant changes in the Group's policy in terms of exchange rate exposure. Transactions of the Group are mainly denominated in Hong Kong dollars, Renminbi or US dollars. The Group has not adopted any hedging policies, as these currencies carry low exchange fluctuation risks. However, management of the Group will monitor foreign exposure closely and consider the usage of hedging instruments when necessary.

PLEDGE OF ASSETS

At the end of the reporting period, certain properties, plants and equipments of the Group with aggregate carrying amounts of approximately HK$8.60 million (31 December 2010: approximately HK$9.35 million) had been pledged to various banks to secure the bank loans and general credit facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 June 2011, the Group had approximately 480 full time management, administrative and production staff in the PRC and Hong Kong.

The Group provides competitive remuneration packages with attractive discretionary bonus to employees. The Group regularly reviews its remuneration packages in light of the overall development of the Group as well as the market conditions. In addition, the Group has adopted a share option scheme for eligible employees (including directors) to provide incentives to those with outstanding performance and contribution to the Group.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors.

The audit committee of the Company has reviewed with management of the Company on the accounting principles and policies adopted by the Group and financial reporting matters.

The audit committee has also reviewed the unaudited interim results of the Group for the six months ended 30 June 2011.

CORPORATE GOVERNANCE

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

As disclosed in the Corporate Governance Report contained in the Company's 2010 annual report, the Company has applied the principles under the Code on Corporate Governance Practices (the "Code"), and has been in compliance with relevant provisions of the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the reporting period, the Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out 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 of the Company, 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 reporting period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2011 neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any listed securities of the Company.

PUBLICATION OF UNAUDITED INTERIM RESULTS

This announcement is also published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.fulbond.com) and the interim report will be despatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board of
Fulbond Holdings Limited
Zhang Xi
Joint Chairman

Hong Kong, 30 August 2011

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Xi, Mr. Ip Cheng Kuong, Ms. Catherine Chen, Mr. Chiu Kong, Mr. Yeung Kwok Yu, Mr. Fei Phillip, Mr. Yeung Tsoi San, 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 Ms. Ma Yin Fan, Mr. Leung Hoi Ying and Mr. Yu Pan.