fulbond

福　邦　控　股

Fulbond Holdings Limited

福邦控股有限公司*

(Stock Code: 1041)

* For identification purpose only

2011 INTERIM REPORT

CONTENTS

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	9
Additional Information	13
Condensed Consolidated Statement of Comprehensive Income	17
Condensed Consolidated Statement of Financial Position	18
Condensed Consolidated Statement of Changes in Equity	20
Condensed Consolidated Statement of Cash Flows	21
Notes to the Condensed Consolidated Financial Statements	23

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Zhang Xi *(Joint Chairman)*
Mr. Ip Cheng Kuong
(Joint Chairman, appointed on 29 June 2011, retired and re-appointed on 5 August 2011)
Ms. Catherine Chen
(Managing Director)
Mr. Chiu Kong
Mr. Yeung Kwok Yu
Mr. Fei Phillip
(Vice Chairman, appointed on 29 June 2011, retired and re-appointed on 5 August 2011)
Mr. Yeung Tsoi San
(Chief Executive Officer, appointed on 29 June 2011, retired and re-appointed on 5 August 2011)
Mr. Kwan Kam Hung, Jimmy
Mr. Wah Wang Kei, Jackie
Mr. Chen Guang Lin
(appointed on 28 March 2011, retired and re-appointed on 2 June 2011)

Independent Non-executive Directors
Ms. Ma Yin Fan
Mr. Leung Hoi Ying
Mr. Yu Pan
Mr. Hong Po Kui, Martin
(resigned on 29 June 2011)

BOARD COMMITTEES

Audit Committee
Ms. Ma Yin Fan *(Chairlady)*
Mr. Leung Hoi Ying
Mr. Yu Pan
Mr. Hong Po Kui, Martin
(resigned on 29 June 2011)

Remuneration Committee
Ms. Ma Yin Fan *(Chairlady)*
Mr. Leung Hoi Ying
Mr. Yu Pan
Mr. Zhang Xi
Mr. Hong Po Kui, Martin
(resigned on 29 June 2011)

COMPANY SECRETARY

Mr. Tang Kam Shing, Roland
(appointed on 6 May 2011)
Mr. Chow Kim Hang
(resigned on 6 May 2011)

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISER

Messrs. Tung & Co.

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

2807, 28th Floor
The Center
99 Queen's Road Central
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

1041

WEBSITE

www.fulbond.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors of the Company (the "Directors"), I am pleased to present to you the interim results of Fulbond Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 June 2011 for your review.

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 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 "Site"), 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 derivative 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 to be 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 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. Meanwhile performance of existing businesses are being reviewed by management of the Group. If the performance of those businesses/ operations cannot be improved and/or in order to avoid further losses to be generated from those businesses, the Company may consider to take further necessary actions, including to scale down or dispose interests in such businesses in order to reduce any negative impact on the overall results of the Group.

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 ("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 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.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my deepest gratitude to our shareholders for their continuous supports. I also thank the Group's management and staff members for their dedication and hard work during the period as well as look forward to their continuous supports.

By Order of the Board
Zhang Xi
Joint Chairman

Hong Kong, 30 August 2011

MANAGEMENT DISCUSSION AND ANALYSIS

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 the Consideration of HK$900 million 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") which 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 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 which, 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 "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 which, 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 HK$0.17 per Reorganised Share (subject to adjustment). 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 of the Company 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 management agreement, Harvest Day would provide management and consultancy services to Allywing in connection with the development of the Site. 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" for identification purpose only. 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 of Hong Kong Limited (the "Stock Exchange") upon the proposed change of Company name becoming effective.

CAPITAL STRUCTURE

The special resolution approving the 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 became effective and the number of the Company's issued shares became 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 the Share Option Scheme for eligible employees (including directors) to provide incentives to those with outstanding performance and contribution to the Group.

ADDITIONAL INFORMATION

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.

Share Options

Share options to subscribe Company's shares

Pursuant to the Share Option Scheme, the Directors may, at their discretion, grant options to any Directors, executives, employees and any other persons who have contributed or will contribute to the Group.

During the reporting period, there is no movement in the number of options outstanding which have been granted, cancelled or lapsed by the Company to the Directors, executives and employees of the Company under the Share Option Scheme. During the reporting period, holders of share options have exercised their rights to subscribe for 2,568 ordinary shares of the Company at a subscription price of HK$0.041 per share.

On 13 July 2011, the outstanding share options granted on 14 July 2008 lapsed.

Disclosure of Interest

Directors' Interest in Shares and Underlying Shares

At 30 June 2011, the interest of the Directors and their associates in the shares, underlying shares and convertible notes of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in Appendix 10 to the rules governing the listing of securities on the Stock Exchange ("Listing Rules"), were as follows:

Long Positions in the Shares and Underlying Shares

Ordinary shares of US$0.001 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Number of underlying shares in respect of the options granted under the Share Option Scheme (Note 1)	Approximate percentage of the issued share capital of the Company (Note 2)
Mr. Zhang Xi	Beneficial owner	159,282,600	9,161,700	3.69%
Ms. Catherine Chen	Beneficial owner	–	9,161,700	0.20%
Mr. Ip Cheng Kuong	Interests in controlled corporation (Note 3)	294,000,000	–	6.44%

Note 1: Details of the options granted by the Company are set out above.

Note 2: The percentages were calculated based on the Company's issued share capital of 4,564,293,000 shares as at 30 June 2011.

Note 3: Mr. Ip Cheng Kuong has notified the Company that he is interested in those shares of the Company held by Global Zone International Limited, a company of which 51% interests are owned by him.

Save as above, none of the Directors nor their associates has any interest in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2011.

Substantial Shareholders' Interests

As at 30 June 2011, the register of the substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following shareholder's interests, being 5% or more of its issued share capital:

Long positions in the shares

Name of shareholder	Capacity	Number of underlying shares interested	Approximate percentage of share capital of the Company (Note 2)
So Chi Ming (Note 1)	Beneficial owner	1,000,000,000	21.91%
Ng Leung Ho (Note 1)	Beneficial owner	600,000,000	13.15%
Global Zone International Limited (Note 3)	Beneficial owner	294,000,000	6.44%
Lau Yung (Note 4)	Interests in controlled corporation	2,523,809,521	55.29%
Hefu Limited (Note 4)	Beneficial owner	2,523,809,521	55.29%

Note 1: All these underlying shares can be converted into 1,600,000,000 shares of the Company upon exercise of the conversion rights under the convertible notes in the aggregate principal amount of HK$160,000,000 at a conversion price of HK$0.1 per share.

Note 2: The percentages were calculated based on the Company's issued share capital of 4,564,293,000 shares as at 30 June 2011.

Note 3: Global Zone International Limited is held as to 51% by Mr. Ip Cheng Kuong, the joint chairman and an executive Director.

Note 4: Pursuant to the Acquisition Agreement, Hefu Limited will be interested in 2,523,809,521 shares of the Company to be allotted and issued by the Company as consideration shares in different stages subject to the terms and conditions of the Acquisition Agreement. Mr. Lau Yung is deemed to be interested in those shares of the Company interested by Hefu Limited, a company which is held as to 97% by Mr. Lau Yung.

Save as disclosed above, as at 30 June 2011, the Company has not been notified by any persons (other than Directors) who has interests in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Audit Committee

The audit committee comprises three independent non-executive Directors.

During the reporting period 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 interim results of the Group has not been audited, but the audit committee has 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") in appendix 14 to the Listing Rules, and has been in compliance with 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 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.

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 as set out in the Model Code. 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 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

The Company's 2011 interim report is published on the website of the Stock Exchange at www.hkex.com.hk and on the Company's website at www.fulbond.com.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 HK$'000 (Unaudited)	2010 HK$'000 (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)
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	10	**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	11	**75,376**	75,432
Deposits and prepayments		**29,594**	36,636
Held-for-trading investments	12	**118,192**	95,002
Bank balances and cash		**87,080**	143,492
		852,974	906,415
Current liabilities			
Trade and other payables	13	**96,971**	89,008
Amounts due to associates	14	**379**	445
Amounts due to directors of subsidiaries	14	**3,684**	3,684
Taxation payable		**2,621**	2,577
Obligation under finance lease		**39**	77
Bank and other borrowings – amount due within one year	16	**81,795**	80,006
		185,489	175,797
Net current assets		**667,485**	730,618
Total assets less current liabilities		**676,219**	738,672

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Note	**30.6.2011 HK$'000 (Unaudited)**	31.12.2010 HK$'000 (Audited)
Non-current liabilities			
Convertible notes	15	**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)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	General reserve *HK$'000*	Exchange translation reserve *HK$'000*	Share option reserve *HK$'000*	Capital redemption reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2011 (audited)	**355,239**	**1,192,372**	**4,289**	**11,607**	**19,182**	**3,323**	**34**	**(1,861,604)**	**(275,558)**	**222,125**	**(53,433)**
Exchange difference arising on translation of functional currency to presentation currency	**–**	**–**	**–**	**–**	**35,881**	**–**	**–**	**–**	**35,881**	**2,253**	**38,134**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(586,902)**	**(586,902)**	**(21,741)**	**(608,643)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**35,881**	**–**	**–**	**(586,902)**	**(551,021)**	**(19,488)**	**(570,509)**
Exercise of options	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Capital re-organisation *(note 17)*	**(319,715)**	**(1,192,372)**	**–**	**–**	**–**	**–**	**–**	**1,512,087**	**–**	**–**	**–**
At 30 June 2011 (unaudited)	**35,524**	**–**	**4,289**	**11,607**	**55,063**	**3,323**	**34**	**(936,419)**	**(826,579)**	**202,637**	**(623,942)**
At 1 January 2010 (audited)	109,104	461,985	4,291	15,103	16,306	4,080	34	(1,078,132)	(467,229)	3,748	(463,481)
Exchange difference arising on translation of functional currency to presentation currency	–	–	–	–	3,243	–	–	–	3,243	312	3,555
Loss for the period	–	–	–	–	–	–	–	(457,081)	(457,081)	(9,656)	(466,737)
Total comprehensive income for the period	–	–	–	–	3,243	–	–	(457,081)	(453,838)	(9,344)	(463,182)
Exercise of warrants	9,573	14,662	–	–	–	–	–	–	24,235	–	24,235
Conversion of convertible notes	155,714	559,290	–	–	–	–	–	–	715,004	–	715,004
Reserves released upon disposal of subsidiaries	–	–	–	(3,492)	5,040	–	–	(1,548)	–	–	–
At 30 June 2010 (unaudited)	274,391	1,035,937	4,291	11,611	24,589	4,080	34	(1,536,761)	(181,828)	(5,596)	(187,424)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Note	Six months ended 30 June 2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
Operating activities			
Loss before taxation from continuing and discontinued operations		**(608,643)**	(466,737)
Adjustments for:			
Release of prepaid lease payments		**112**	101
Allowance for obsolete inventories		**40,979**	28,309
Net losses on fair value change of derivative financial instruments		**490,499**	430,041
Change in fair value of held-for-trading investments		**(7,828)**	7,426
Depreciation of property, plant and equipment		**207**	6,236
Interest income		**(712)**	(447)
Finance costs		**18,868**	15,911
Gain on disposal of subsidiaries		**–**	(1,647)
Loss on disposal of property, plant and equipment		**26**	–
Allowance for bad and doubtful debt		**5,959**	–
Deposits and prepayments written off		**2,709**	–
Gain on early redemption of convertible notes		**–**	(37,037)
Operating cash flows before movements in working capital		**(57,824)**	(17,844)
Increase in inventories		**(5,857)**	(7,583)
Increase in property under development		**(8,578)**	–
Increase in trade and other receivables		**(265)**	(44,036)
Decrease in deposits and prepayments		**9,181**	43,452
Increase in held-for-trading investments		**(15,362)**	(109,148)
Increase (decrease) in trade and other payables		**24,671**	(30,824)
Net cash used in operating activities		**(54,034)**	(165,983)
Investing activities			
Interest received		**712**	452
Purchases of property, plant and equipment		**(985)**	(2,803)
Disposal of subsidiaries	5	**–**	(8,252)
Net cash used in investing activities		**(273)**	(10,603)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Financing activities		
Interest paid	**(1,311)**	(1,682)
Bank loan raised	**378**	–
Repayment of advance from associate	**(71)**	–
Redemption of convertible notes	**–**	(130,636)
Proceed from issue of convertible notes	**–**	250,941
Proceed from issue of shares upon exercise of warrants	**–**	31,968
Other financing activities	**(38)**	280
Net cash (used in) from financing activities	**(1,042)**	150,871
Net decrease in cash and cash equivalents	**(55,349)**	(25,715)
Cash and cash equivalents at 1 January	**143,492**	238,499
Effect of changes in foreign exchange rates	**(1,063)**	(2,497)
Cash and cash equivalents at 30 June, represented by bank balances and cash	**87,080**	210,287

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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 arrangements[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)

3. SEGMENT INFORMATION (Continued)

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)

5. DISCONTINUED OPERATION (Continued)

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 11)	43,000
Total consideration	165,000

5. DISCONTINUED OPERATION (Continued)

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	2010
	HK$'000	*HK$'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	2010
	HK$'000	*HK$'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**	–
Loss on disposal of property, plant and equipment	**26**	–
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	2010
	HK$'000	*HK$'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

9. LOSS PER SHARE (Continued)

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. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group spent approximately HK$985,000 (six months ended 30 June 2010: HK$2,803,000) on acquisitions of property, plant and equipment.

11. TRADE AND OTHER RECEIVABLES

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

The following is an analysis of trade and other receivables, net of allowances for doubtful debts, at the end of the reporting period:

	30.6.2011 ***HK$'000***	31.12.2010 *HK$'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

12. HELD-FOR-TRADING INVESTMENTS

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

13. 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

14. AMOUNTS DUE TO ASSOCIATES AND DIRECTORS OF SUBSIDIARIES

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

15. CONVERTIBLE NOTES

Fulbond Convertible Note

On 6 August 2009, the Company entered into a placing agreement (the "Fulbond CN Placing Agreement") with a placing agent whereby the Company agreed, subject to conditions (including the Stock Exchange's and shareholders' approval) issue zero coupon convertible notes in a maximum aggregate principal amount of HK$800,000,000 (the "Fulbond Convertible Notes") which can be converted into ordinary shares of the Company at a conversion price of HK$0.01 per share. The placing shall proceed in two tranches namely, the First Tranche Fulbond Convertible Notes and the Second Tranche Fulbond Convertible Notes. Both the First Tranche Fulbond Convertible Notes (up to the aggregate principal amount of HK$450,000,000) and the Second Tranche Fulbond Convertible Notes (up to the aggregate principal amount of HK$350,000,000) fall under the placing and are subject to the same terms and conditions under the Fulbond CN Placing Agreement.

15. CONVERTIBLE NOTES (Continued)

Fulbond Convertible Note (Continued)

The Fulbond Convertible Notes are denominated in Hong Kong dollars with a conversion period of 36 months from the first issue date and can be converted into ordinary shares of the Company at HK$0.01 per share, and may be adjusted upon occurrence of adjustment events, which include consolidation or sub-division of shares, capitalisation of profits or reserves, capital distributions in cash or specie, rights issues or grant of options or warrants to subscribe for new shares at a price which is less than 60% of the market price, issue for cash of securities which are convertible into or exchangeable for or carry rights of subscription for new shares or modification of rights of conversion or exchange or subscription attached to such securities such that the total effective consideration per share initially receivable for such securities is less than 80% of the market price, issue shares for cash at a price per share which is less than 80% of the market price, issue shares for the acquisition of assets at a total effective consideration per share which is less than 80% of the market price, and will in any event not be adjusted below the par value of the share.

The Fulbond Convertible Notes contain three components, the liability component, conversion option and issuer's early redemption option. The conversion option gives the holder's right at any time to convert the Fulbond Convertible Notes into ordinary shares of the Company. However since the conversion option will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, the conversion option is accounted for as a derivative liability. The early redemption option gives the issuer the right to redeem the note at par at any time before maturity. Both conversion option derivative and early redemption option are measured at fair value with changes in fair value recognised in profit or loss.

The fair value of the liability component upon the issuance of the note was calculated at the present value of the principal amount. The Fulbond Convertible Notes can only be redeemed at par at the discretion of the issuer in whole or in part anytime before the maturity date. All tranches of the Fulbond Convertible Notes will mature on 28 December 2012.

On 21 June 2011, the Company obtained approval from its shareholders to the proposed re-organisation of the share capital of the Company (the "Capital Re-organisation"), which involves share consolidation every 10 existing shares of par value US$0.001 (equivalent to HK$0.01) into one consolidated share of par value US$0.01 (equivalent to HK$0.10) and capital reduction of the par value of each issued consolidated share from US$0.01 (equivalent to HK$0.10) to US$0.001 (equivalent to HK$0.01) by cancellation of US$0.009 (equivalent to HK$0.09) of the paid-up capital of each issued consolidated share (see note 17). The original conversion price was adjusted from HK$0.01 per share to HK$0.10 per share as a result of Capital Re-organisation.

15. CONVERTIBLE NOTES (Continued)

Fulbond Convertible Note (Continued)

First Tranche Fulbond Convertible Notes

On 29 December 2009, the Company partially issued the First Tranche Fulbond Convertible Notes with the principal amount of HK$200,000,000 (the "1st HK$200M Fulbond CN") to an independent third party. The effective interest rate of the liability component and discount rate used is 15.24% which represents the cost of debt applicable to the Company at the issue date.

On 14 January 2010, the Company issued the remaining portion of the First Tranche Fulbond Convertible Notes with principal amount of HK$250,000,000 (the "2nd HK$250M Fulbond CN") to an independent third party. The effective interest rate of the liability component and discount rate used is 12.66% which represents the cost of debt applicable to the Company at the issue date.

On 12 January 2010 and 11 August 2010, certain holders of the 1st HK$200M Fulbond CN, gave notice to the Company to convert the 1st HK$200M Fulbond CN in aggregate principal amount of HK$140,000,000 to ordinary shares of the Company. On 5 May 2010, 18 May 2010 and 11 August 2010, certain holders of the 2nd HK$250M Fulbond CN gave notice to the Company to convert the 2nd HK$250M Fulbond CN in aggregate principal amount of HK$130,000,000 to ordinary shares of the Company.

The aggregate principal amount under the First Tranche Fulbond Convertible Notes outstanding at 30 June 2011 and 31 December 2010 amounts to HK$180,000,000 and the carrying amount of the liability components and the fair values of the embedded conversion option and early redemption option in aggregate are approximately HK$593,036,000 and HK$360,825,000, respectively. During the six months ended 30 June 2011, an aggregate fair value loss on embedded conversion option and early redemption option of HK$222,951,000 in respect of the outstanding First Tranche Fulbond Convertible Notes was recognised in the profit or loss.

The fair values of the embedded conversion option and the issuer's early redemption option were determined using Black-Scholes Option Pricing Model and binomial option pricing model, respectively, and the inputs into the model at 30 June 2011 and 31 December 2010 were as follows:

	30.6.2011	31.12.2010
Conversion price	**HK$0.10**	HK$0.01
Share price, after adjusting for dilution	**HK$0.330**	HK$0.020
Expected volatility	**52.27%**	45.37%
Remaining life	**1.50 years**	1.99 years
Risk-free rate	**0.211%**	0.585%

15. CONVERTIBLE NOTES (Continued)

Fulbond Convertible Note (Continued)

Second Tranche Fulbond Convertible Notes

On 10 August 2010, the Company issued the first portion of the Second Tranche Fulbond Convertible Notes with principal amount of HK$250,000,000 (the "3rd HK$250M Fulbond CN") to an independent third party. The effective interest rate of the liability component and the discount rate used is 10.61% which represents the cost of debt applicable to the Company at the issue date. On 11 August 2010, certain holders of the 3rd HK$250M Fulbond CN, have given notice to the Company to convert certain the 3rd HK$250M Fulbond CN in aggregate principal amount of HK$34,000,000 to ordinary shares of the Company.

The aggregate principal amount under the Second Tranche Fulbond Convertible Notes outstanding at 30 June 2011 and 31 December 2010 amounts to HK$216,000,000 and their carrying amount of the liability components and the fair values of the embedded conversion option and early redemption option in aggregate are approximately HK$707,048,000 and HK$431,203,000 respectively. During the six months ended 30 June 2011, an aggregate fair value loss of HK$267,548,000 in respect of the outstanding Second Tranche Fulbond Convertible Notes was recognised in the profit or loss.

The remaining unissued tranche of Fulbond Convertible Notes of HK$100,000,000 (equivalent to US$12,849,000) expired in October 2010.

The fair values of the embedded conversion option and the issuer's early redemption option were determined using Black-Scholes Option Pricing Model and binomial option pricing model, respectively, and the inputs into the model at 30 June 2011 and 31 December 2010 were as follows:

	30.6.2011	31.12.2010
Conversion price	**HK$0.100**	HK$0.010
Share price, after adjusting for dilution	**HK$0.330**	HK$0.020
Expected volatility	**52.27%**	45.37%
Remaining life	**1.50 years**	1.99 years
Risk-free rate	**0.211%**	0.585%

15. CONVERTIBLE NOTES (Continued)

The movements of the components of First and Second Tranche Fulbond Convertible Notes during the year are set out below:

	Liability component *HK$'000*	Embedded conversion option *HK$'000*	Early redemption option *HK$'000*	Total *HK$'000*
At 31 December 2010	307,603	484,730	(305)	792,028
Change in fair value	–	491,018	(519)	490,499
Interest charged (net of interest paid)	17,557	–	–	17,557
At 30 June 2011	325,160	975,748	(824)	1,300,084

16. BANK AND OTHER BORROWINGS

No bank loans were repaid during the six months ended 30 June 2011 and six months ended 30 June 2010 and new bank loan amounting HK$378,000 (six months ended 30 June 2010: HK$nil) was obtained during the period. All borrowings bear interest at prevailing market rates and are repayable within five years.

17. SHARE CAPITAL

	Number of shares	Amount *US$'000*
Ordinary shares of US$0.001 each		
Authorised:		
At 1 January 2010, 31 December 2010 and 30 June 2011	100,000,000,000	100,000
Issued and fully paid:		
At 1 January 2011	45,642,927,432	45,643
Exercise of options	2,568	–
Adjustment on Capital Re-organisation	(41,078,637,000)	(41,079)
At 30 June 2011	4,564,293,000	4,564

17. SHARE CAPITAL (Continued)

	HK$'000
Shown in the financial statements as:	
At 1 January 2011	**355,239**
Adjustment on Capital Re-organisation	**(319,715)**
At 30 June 2011	**35,524**

On 21 June 2011, the Company obtained approval from its shareholders to the proposed Capital Re-organisation, 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 Re-organisation becomes effective will be reduced and cancelled.

18. LEASING ARRANGEMENTS

The Group as lessee

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

	30.6.2011 *HK$'000*	31.12.2010 *HK$'000*
Within one year	**1,872**	768
In the second to fifth year inclusive	**1,495**	267
	3,367	1,035

19. PLEDGE OF ASSETS

At 30 June 2011, the Group had pledged certain property, plant and equipment with an aggregate carrying amount of HK$8,597,000 (31 December 2010: HK$9,347,000) to various banks to secure the bank loans and general banking facilities granted to the Group.

20. RELATED PARTY TRANSACTIONS

The key management personnel of the Group are the directors of the Company. During the six months ended 30 June 2011, directors emolument of approximately HK$2,201,000 (six months ended 30 June 2010: HK$911,000) were paid to the directors of the Company.

During the six months ended 30 June 2011, the Group paid a management fee of HK$23,000,000 to Harvest Day Limited ("Harvest Day") under a management agreement between Harvest Day and the Company, which constituted a connected transaction as defined under the Listing Rules. Pursuant to the original management agreement, an inclusive management fee of HK$50 million shall be payable to Harvest Day which provides the Company with management and consultancy services in the property project in the land situates at Weiyang District, Xi'an City, the PRC (the "Property Project"). The management agreement, which commenced on 20 December 2010, was for an initial period of five years and is terminable upon issue of certificates of compliance confirming completion of all constructions works in the Property Project and settlement of accounts with all contracting parties and the payment of last installment of the management fee by the Company.

21. EVENT AFTER THE REPORTING PERIOD

The following events took place subsequent to the end of the reporting period:

(i) On 12 July 2011, the board of directors of the Company announced the proposed change of the English name of the Company from "Fulbond Holdings Limited" to "China New Energy Power Group Limited" and to adopt a Chinese secondary name "中國新能源動力集團有限公司" in place of "福邦控股有限公司" (the "Proposed Change of Company Name") which has been used for identification purpose only. The Proposed Change of Company Name is to reflect the diversification of the businesses of the Group and to signify the new identity of the Company.

The Proposed Change of Company Name is subject to the approval by the shareholders by way of a special resolution in the Special General Meeting (the "SGM") and the approval by the registrar of companies in Bermuda. The Company will also comply with the necessary filing procedures in Hong Kong. The proposed new English and Chinese names of the Company shall take effect from the respective date on which the new names are entered in the register of companies maintained by the registrar of companies in Bermuda. Thereafter, the Company will carry out the necessary filing procedures with the Registrar of Companies in Hong Kong.

At the SGM held on 5 August 2011, the board of directors of the Company announced that all the resolutions in relation to the Proposed Change of Company Name was duly passed by the shareholders.

21. EVENT AFTER THE REPORTING PERIOD (Continued)

(ii) On 19 July 2011, in relation to the disposal of the Disposal Group (see note 5), the Company, the purchaser and the purchaser's guarantor entered into a supplemental deed, thereto agree that, in respect of the balance of the consideration receivable in the sum of HK$43,000,000, the sum of HK$10,000,000 shall be paid on or before 18 July 2011 (which sum has already been received by the Group), a further sum of HK$8,000,000 shall be paid on or before 18 August 2011 and the remaining balance of HK$25,000,000 (together with the aforesaid sum of HK$8,000,000, collectively the "Outstanding Amount") shall be paid within 3 months after 18 July 2011, i.e. on or before 18 October 2011. The parties thereto further agree that the purchaser shall be liable to pay the Company interest on the outstanding amount at the rate of 6% per annum calculated on a daily basis (based on a 365 days' year period) from 19 July 2011 to the date of payment and that the purchaser shall pay interest on a monthly basis on the business day immediately preceding the 18th day of each month.