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福 邦 控 股

Fulbond Holdings Limited

福邦控股有限公司

(Stock Code: 1041)

Interim Report

2006

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Corporate Information

Directors

Executive Directors:

Yang, Ding-Yuan (*Chairman*)

Meng, Tung-Mei Grace (*Vice-chairman*)

Independent Non-executive Directors:

Yang, S. Edward

Lo, I-Wang

Chang, Jing-Yue

Company Secretary

Chan, Lok-Kwan

Registered office

Clarendon House

Church Street

Hamilton HM11

Bermuda

Principal Place of Business

15th Floor

Sing Ho Finance Building

166 – 168 Gloucester Road

Wanchai

Hong Kong

Auditors

Deloitte Touche Tohmatsu

Certified Public Accountants

35/F One Pacific Place

88 Queensway

Hong Kong

Public Relations Consultant

Strategic Financial Relations Limited

Unit A 29th Floor

Admiralty Centre I

18 Harcourt Road

Hong Kong

Principal Share Registrars and Transfer Office

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

Hong Kong Branch Share Registrars and Transfer Office

Computershare Hong Kong Investor Services Limited

17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

Directors' Report

On behalf of the Board of Directors (the "Board"), I am pleased to present the unaudited consolidated results of Fulbond Holdings Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30 June 2006. The unaudited results have been reviewed by Deloitte Touche Tohmatsu.

Financial Results

The Group reported a turnover of US\$9,639,000 in the first six months of 2006, an increase of about 13% as compared with US\$8,508,000 for the same period last year. The increase was mainly contributed by the increase in sales of door skin. However, as a result of the significant increase in prices of raw materials, gross profit decreased to US\$224,000 as compared with last year's US\$748,000. Loss attributable to equity holders for the six months ended 30 June 2006 increased to US\$2,642,000 from last corresponding period's US\$2,336,000, mainly due to the increase of deferred tax charge.

Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2006 (2005: Nil).

Business Review

The Timber Business

During the first half of 2006, despite keen competition and surge of raw materials prices such as that of wood and chemicals, the Group was able to achieve increase in sales of its major timber related products, including blockboard, particle board and door skin.

Jilin Fudun Timber Company Limited ("Fudun"), the Group's 67%-owned subsidiary, specializes in the production of molded door skin in the PRC and exports to overseas markets, including Turkey, the Middle East and Pakistan. Boasting good quality products, Fudun was able to meet customer needs in these overseas markets, and hence enjoyed higher sales and profit margin, especially for door skin, during the review period. Riding on the Group's strong manufacturing capabilities and expanding distribution network, the management remains optimistic about Fudun's continuous growth in the future.

High Technology Related Business

Supported by a comprehensive infrastructure, the Group's high technology related business is in a prime position to capitalize on opportunities in the global market, in particular for System on Chip ("SoC") solutions and services. SoC, a highly sophisticated integrated circuit ("IC") with complicated systems and devices embedded on one chip, is fast becoming an essential component for the information and electronics industries.

The Group's technology arm, Fulhua Microelectronics Corporation ("FameG"), is a fabless SoC Original Design Manufacturer ("ODM") that provides SoC and SoC-based solutions in the semiconductor market in the Greater China region. FameG collaborates with major brand name chip companies to enhance their product features, allowing these customers to minimize geographical risks, ramp up production and reduce costs.

In the first half of 2006, FameG launched two IC products in the market, specially designed for customers to incorporate into their own products.

Future Plans and Prospects

For the rest of 2006, Fulbond will continue to enhance efficiency and expand its timber business clientele. In particular, building on the experience of Fudun in selling to existing markets, the Group will continue to focus on its door skin business and explore new markets.

The Group sees continuous growth for the SoC market in coming years, and expects to benefit from growing market demand for SoC solutions. Building on the EZL-8051 SoC platform it launched to the market in 2005, the Group has designed two new IC products based on this platform. The two products will advance into the engineering samples stage in the second half of 2006, and are expected to contribute revenue to the Group in 2007.

Management Discussion and Analysis

Liquidity and Capital Resources

As at 30 June 2006, the net cash balances of the Group stood at US\$1,339,000.

Total bank and other borrowings as at 30 June 2006 were US\$11,316,000. The Group's bank loans are mainly denominated in Renminbi, and its sales and purchases are mainly denominated in Renminbi and US dollars. As the exchange rates of Renminbi and US dollars against Hong Kong dollars were relatively stable during the review period, the Group's exposure to exchange rate fluctuations was relatively low.

The gearing ratio of the Group was 60.3% (gearing ratio as a percentage of total borrowings over non-current assets). As at the period's end, the Group's total assets was valued at approximately US\$36,991,000.

Employment and Remuneration Policy

The Company had approximately 810 full-time employees as at 30 June 2006 in the PRC, Taiwan and Hong Kong. Employee remuneration policies and packages are reviewed yearly. Remuneration, bonuses and share options are awarded to employees based on individual performances and market practices.

Other Information

Directors' Interests

As at 30 June 2006, the interests and short position of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under section 352 of the SFO, are set out below:

Long positions in interests in the shares of the Company

Name of Director	Nature of interest	Number of shares held	% of issued share capital
Yang Ding-Yuan	Corporate (<i>note</i>)	4,972,507,366	54.06%

Note: Dr. Yang Ding-Yuan is the controlling shareholder of S.T.J. Technology Limited ("STJ") which owns 4,972,507,366 shares of the Company as at 30 June 2006.

Share Options Scheme

(a) Share options to subscribe Company's shares

Pursuant to the Company's share option schemes adopted on 19 November 2001 and 11 December 1996, the Directors of the Company, at their discretion, may grant options to any directors, executives, employees and any other persons who have contributed or will contribute to the Group.

During the six months ended 30 June 2006, the movements in the number of options outstanding which have been granted by the Company to the Directors, executives and employees of the Company under the Company's share option schemes were set out below:

	Date of grant	Exercise period	Exercise Price	At 1 Jan 2006	Number of share options		At 30 June 2006
					Granted during the period	Lapsed during the period	
Directors							
Yang Ding-Yuan	30 April 2002	30 April 2002-29 April 2012	HK\$0.05	50,000,000	-	-	50,000,000
Meng Tung-Mei Grace	30 April 2002	30 April 2002-29 April 2012	HK\$0.05	50,000,000	-	-	50,000,000
Yang S. Edward	30 April 2002	30 April 2002-29 April 2012	HK\$0.05	50,000,000	-	-	50,000,000
Total Directors				150,000,000	-	-	150,000,000
Ex-director							
Chan Ting-Fung	30 April 2002	30 April 2002-29 April 2012	HK\$0.05	50,000,000	-	(50,000,000)	-
				50,000,000	-	(50,000,000)	-
Executives and employees							
	30 April 2002	1 January 2003-29 April 2012	HK\$0.05	31,200,000	-	-	31,200,000
	30 April 2002	1 January 2004-29 April 2012	HK\$0.05	23,400,000	-	-	23,400,000
	30 April 2002	1 January 2005-29 April 2012	HK\$0.05	23,400,000	-	-	23,400,000
	24 January 2003	27 June 2003-23 January 2013	HK\$0.021	60,000,000	-	-	60,000,000
Total executives and employees				138,000,000	-	-	138,000,000
Total all categories				338,000,000	-	(50,000,000)	288,000,000

The closing price of the Company's shares immediately before 30 April 2002, 24 January 2003 and 28 January 2003, the dates of grant of the share options, were HK\$0.05, HK\$0.021 and HK\$0.02 respectively.

The cost of share options granted are not recognised in the financial statements until they are exercised. The fair values of the options granted in the current period measured as at the dates of grant on 30 April 2002, 24 January 2003 and 28 January 2003 were HK\$0.0495, HK\$0.0197 and HK\$0.0206 per option, respectively. The following significant assumptions were used to derive the fair values using the Black-Scholes option-pricing model:

Date of grant	30 April 2002	24 January 2003	28 January 2003
Expected life (in years)	10	10	10
Expected volatility based on historical volatility of share prices	140%	140%	140%
Expected annual dividend yield	Nil	Nil	Nil
Hong Kong Exchange Fund Notes rate	5.89%	3.93%	4.45%

The Black-Scholes option-pricing model requires input of highly subjective assumptions, including the volatility of stock price. Because changes in the subjective input assumptions can materially affect the estimated fair value estimate, the existing model does not necessarily provide a reliable measure of the fair value of the share options.

For the purpose of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited, due to lack of historical data.

(b) *Share options to subscribe for shares in Wood Art International Corporation ("Wood Art")*

Pursuant to the Company's shareholders' approval in the special general meeting held on 18 June 2004, the share options scheme of Wood Art, a subsidiary of the Company, became effective. Details of the share options scheme of Wood Art are set out in the Company's circular to the shareholders dated 28 May 2004.

No options were granted during the period.

Apart from the above, no other interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations as at 30 June 2006 were recorded in the register required to be kept under section 352 of the SFO.

Save as mentioned above, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, debentures of, the Company or any other body corporate.

Substantial Shareholders' Interests

As at 30 June 2006, 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 the issued share capital:

Name	Notes	Number of shares held in the Company			% of issued share capital
		Direct interests	Deemed interests	Total interests	
Global Innovation Investment Limited ("GILL")	1	4,172,670,436	–	4,172,670,436	45.37%
STJ	1	799,836,930	4,172,670,436	4,972,507,366	54.06%
Yang Ding-Yuan	2	–	4,972,507,366	4,972,507,366	54.06%

Notes:

- GILL, a company incorporated in Cayman Islands with limited liability, is a 70% owned subsidiary of STJ, a company incorporated in British Virgin Islands, which is deemed by the SFO to be interested in the Company's shares in which GILL is interested.
- STJ is wholly owned by Dr. Yang Ding-Yuan and his family members. Dr. Yang Ding-Yuan is, by virtue of the SFO, deemed to be interested in the Company's shares in which STJ is interested.

Save as disclosed above, as at 30 June 2006, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions 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.

Purchase, Sales or Redemption of Shares

During the period, neither the Company, nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's shares.

Corporate Governance

Compliance with the Code on Corporate Governance Practices

The Board considers that good corporate governance of the Company is crucial to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance and will continuously review and improve the corporate governance practice and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

The Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of Listing Rules throughout the six months ended 30 June 2006 except for the deviations from Code Provisions A.4.1 in the following manner:

A.4.1 all of the Independent Non-executive Directors are not appointed for a specific term but are subject to retirement by rotation at annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws.

As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the unaudited interim financial statements.

Remuneration Committee

The Company had established a remuneration committee with written terms of reference pursuant to the provisions set out in the Code. The committee comprises three independent non-executive directors, namely Professor Edwanrd S. Yang, Mr. Lo I-Wang and Ms. Chang Jing-Yue and the chairman, Dr. Yang Ding-Yuan of the Company. The remuneration committee is principally responsible for formulation and making recommendation to the Board on the Group's policy and structure for all remuneration of directors and senior management.

Model Code for Securities Transactions by Directors of the Company

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

By order of the Board

Dr. Yang Ding-Yuan

Chairman

Hong Kong, 15 September 2006

Independent Review Report



TO THE BOARD OF DIRECTORS OF FULBOND HOLDINGS LIMITED

福邦控股有限公司

(incorporated in Bermuda with limited liability)

Introduction

We have been instructed by Fulbond Holdings Limited (the “Company”) to review the interim financial report set out on pages 11 to 20.

Directors’ responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Hong Kong Auditing Standards 700 “Engagements to review interim financial reports” issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 15 September 2006

Condensed Consolidated Income Statement

For the six months ended 30 June 2006

	NOTES	1.1.2006 to 30.6.2006 (Unaudited) US\$'000	1.1.2005 to 30.6.2005 (Unaudited) US\$'000
Turnover	3	9,639	8,508
Cost of sales		(9,415)	(7,760)
Gross profit		224	748
Other income		594	446
Distribution costs		(1,070)	(1,027)
Administrative expenses		(1,157)	(1,751)
Finance costs		(430)	(344)
Share of results of associates		(939)	(853)
Loss before taxation		(2,778)	(2,781)
Taxation	4	(582)	(110)
Loss for the period	5	(3,360)	(2,891)
Attributable to:			
Equity holders of the Company		(2,642)	(2,336)
Minority interests		(718)	(555)
		(3,360)	(2,891)
Loss per share – basic	6	US(0.029) cent	US(0.025) cent

Condensed Consolidated Balance Sheet

At 30 June 2006

	<i>NOTES</i>	30.6.2006 (Unaudited) <i>US\$'000</i>	31.12.2005 (Audited) <i>US\$'000</i>
Non-current assets			
Property, plant and equipment	7	15,407	16,489
Prepaid lease payments		905	956
Interests in associates		2,069	3,008
Club debenture		37	37
Deferred tax assets		361	943
		<u>18,779</u>	<u>21,433</u>
Current assets			
Inventories		8,638	9,229
Trade and other receivables	8	7,583	7,979
Prepaid lease payments		102	102
Amounts due from associates	9	473	–
Taxation recoverable		77	100
Bank balances and cash		1,339	2,635
		<u>18,212</u>	<u>20,045</u>
Current liabilities			
Trade and other payables	10	5,323	6,083
Amount due to an associate	11	49	118
Amount due to ultimate holding company	11	560	560
Bank and other borrowings			
– amount due within one year	12	11,050	10,887
		<u>16,982</u>	<u>17,648</u>
Net current assets		<u>1,230</u>	<u>2,397</u>
Total assets less current liabilities		20,009	23,830
Non-current liability			
Bank and other borrowings			
– amount due after one year	12	266	727
		<u>19,743</u>	<u>23,103</u>
Capital and reserves			
Share capital	13	9,197	9,197
Reserves		3,320	5,962
Equity attributable to equity holders of the Company		12,517	15,159
Minority interests		7,226	7,944
		<u>19,743</u>	<u>23,103</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2006

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	General reserve	Exchange translation reserve	Capital redemption reserve	Accumulated losses	Total	Minority interests	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2006	9,197	47,640	716	1,585	761	4	(44,744)	15,159	7,944	23,103
Loss for the period and total recognised income and expenses for the period	-	-	-	-	-	-	(2,642)	(2,642)	(718)	(3,360)
Balance at 30 June 2006	<u>9,197</u>	<u>47,640</u>	<u>716</u>	<u>1,585</u>	<u>761</u>	<u>4</u>	<u>(47,386)</u>	<u>12,517</u>	<u>7,226</u>	<u>19,743</u>
Balance at 1 January 2005	<u>9,161</u>	<u>47,540</u>	<u>716</u>	<u>1,968</u>	<u>627</u>	<u>4</u>	<u>(39,925)</u>	<u>20,091</u>	<u>9,969</u>	<u>30,060</u>
Exchange difference arising from translation of operations of subsidiaries and associates directly recognised in equity	-	-	-	-	(17)	-	-	(17)	-	(17)
Loss for the period	-	-	-	-	-	-	(2,336)	(2,336)	(555)	(2,891)
Total recognised income and expense for the period	-	-	-	-	(17)	-	(2,336)	(2,353)	(555)	(2,908)
Issue of shares upon exercise of share options	36	100	-	-	-	-	-	136	-	136
Balance at 30 June 2005	<u>9,197</u>	<u>47,640</u>	<u>716</u>	<u>1,968</u>	<u>610</u>	<u>4</u>	<u>(42,261)</u>	<u>17,874</u>	<u>9,414</u>	<u>27,288</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2006

	1.1.2006 to 30.6.2006 (Unaudited) US\$'000	1.1.2005 to 30.6.2005 (Unaudited) US\$'000
Net cash generated from (used in) operating activities	242	(873)
Net cash used in investing activities	(810)	(354)
Net cash (used in) generated from financing activities	(728)	232
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(1,296)	(995)
Cash and cash equivalents at beginning of the period	2,635	2,173
	<hr/>	<hr/>
Cash and cash equivalents at end of the period, representing bank balances and cash	<u>1,339</u>	<u>1,178</u>

Notes to the Condensed Financial Statements

For the six months ended 30 June 2006

1. Basis of preparation

The condensed 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 and with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting".

2. Principal accounting policies

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

The accounting policies adopted in the preparation of the condensed financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2005 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The application of these new HKFRSs has had no material effect on how the results for the current and prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. Principal accounting policies *(Cont'd)*

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial positions of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies" ²
HK(IFRIC)-INT 8	Scope of HKFRS 2 ³
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

3. Segment information

Business segments

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

Principal activities:

Blockboard and particle board	– manufacture and trading of products of blockboard and particle board
Door skin	– manufacture and trading of door skin
Other wooden products	– manufacture and trading of wooden products other than those identified above
Others	– high-technology related business

3. Segment information (Cont'd)*For the six months ended 30 June 2006*

	Blockboard and particle board	Door skin	Other wooden products	Others	Consolidated
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
TURNOVER					
External sales	<u>5,439</u>	<u>3,632</u>	<u>568</u>	<u>-</u>	<u>9,639</u>
SEGMENT RESULT	<u>(405)</u>	<u>(495)</u>	<u>(313)</u>	<u>-</u>	<u>(1,213)</u>
Unallocated corporate expenses, net					(196)
Finance costs					(430)
Share of results of associates	-	-	-	(939)	<u>(939)</u>
Loss before taxation					(2,778)
Taxation					<u>(582)</u>
Loss for the period					<u>(3,360)</u>

For the six months ended 30 June 2005

	Blockboard and particle board	Door skin	Other wooden products	Others	Consolidated
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
TURNOVER					
External sales	<u>5,368</u>	<u>2,082</u>	<u>1,058</u>	<u>-</u>	<u>8,508</u>
SEGMENT RESULT	<u>(408)</u>	<u>(311)</u>	<u>(317)</u>	<u>-</u>	<u>(1,036)</u>
Unallocated corporate expenses, net					(548)
Finance costs					(344)
Share of results of associates	-	-	(22)	(831)	<u>(853)</u>
Loss before taxation					(2,781)
Taxation					<u>(110)</u>
Loss for the period					<u>(2,891)</u>

4. Taxation

1.1.2006 to 30.6.2006	1.1.2005 to 30.6.2005
<i>US\$'000</i>	<i>US\$'000</i>

The charge comprises:

The Company and subsidiaries:

Deferred tax charge	582	110
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No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for both periods presented.

No provision for PRC Enterprise Income Tax has been made as the Group has sufficient tax losses brought forward to offset any assessable profits for both periods presented.

There are no known tax liabilities in other jurisdictions.

5. Loss for the period

1.1.2006 to 30.6.2006	1.1.2005 to 30.6.2005
<i>US\$'000</i>	<i>US\$'000</i>

Loss for the period has been arrived at after charging:

Allowance for bad and doubtful debts	–	372
Depreciation of property, plant and equipment	1,359	1,430
Loss on disposal of property, plant and equipment	4	–

and after crediting:

Interest income	13	3
Value added tax refund (<i>Note</i>)	357	436

Note: Certain subsidiaries of the Company established in the PRC are involved in the production of wooden products which require the use of raw materials that are environmental friendly. Pursuant to the relevant rules and regulations of the PRC governing the value added tax ("VAT") treatment of such subsidiaries, during the six months ended 30 June 2006, VAT totalling US\$357,000 (six months ended 30 June 2005: US\$436,000) was refunded to these subsidiaries.

6. Loss per share

The calculation of the basic loss per share for the period is computed based on the following data:

	1.1.2006 to 30.6.2006 <i>US\$'000</i>	1.1.2005 to 30.6.2005 <i>US\$'000</i>
Loss for the period attributable to the equity holders of the Company and loss for the purposes of basic loss per share	<u>(2,642)</u>	<u>(2,336)</u>
	Number of shares	Number of shares
Weighted average number of shares for the purposes of basic loss per share	<u>9,197,779,755</u>	<u>9,163,933,601</u>

No diluted loss per share is presented for both periods as the exercise of the outstanding share options would result in a decrease in the loss per share.

7. Property, plant and equipment

During the six months ended 30 June 2006, the Group spent approximately US\$290,000 (six months ended 30 June 2005: US\$357,000) on acquisitions of property, plant and equipment.

8. Trade and other receivables

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

	30.6.2006 <i>US\$'000</i>	31.12.2005 <i>US\$'000</i>
Trade receivables, aged		
0 – 90 days	3,565	2,924
91 – 180 days	361	460
More than 180 days	<u>823</u>	<u>684</u>
	4,749	4,068
Other receivables	<u>2,834</u>	<u>3,911</u>
	<u>7,583</u>	<u>7,979</u>

The Group's policy is to allow an average credit period of 90 days to its trade customers.

9. Amounts due from associates

The amounts due from associates are unsecured, non-interest bearing and repayable on demand.

10. Trade and other payables

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

	30.6.2006 <i>US\$'000</i>	31.12.2005 <i>US\$'000</i>
Trade payables, aged		
0 – 90 days	2,334	2,104
91 – 180 days	28	144
More than 180 days	1,241	1,476
	<hr/>	<hr/>
	3,603	3,724
Other payables	1,720	2,359
	<hr/>	<hr/>
	5,323	6,083

11. Amount due to an associate/ultimate holding company

The amounts due to an associate and the ultimate holding company are unsecured, non-interest bearing and repayable on demand.

12. Bank and other borrowings

During the six months ended 30 June 2006, the Group repaid bank loans totalling US\$5,324,000 and obtained new bank loans totalling US\$5,026,000 of which the proceeds were used for general working capital. All borrowings bear interest at prevailing market rates and are repayable within five years.

13. Share capital

	Number of shares	Amount <i>US\$'000</i>
Ordinary shares of US\$0.001 each		
Issued and fully paid		
At 1 January 2006 and 30 June 2006	9,197,779,755	9,197
	<hr/>	<hr/>

14. Capital commitments

The outstanding capital commitments of the Group at the balance sheet date are as follows:

	30.6.2006	31.12.2005
	<i>US\$'000</i>	<i>US\$'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment		
– authorised but not contracted for	–	1,017
– contracted but not provided for	–	426
	<hr/>	<hr/>
	–	1,443
	<hr/>	<hr/>

15. Pledge of assets

At 30 June 2006, the Group had pledged certain properties and plant and equipment with carrying amounts of US\$394,000 (31 December 2005: US\$428,000) and US\$7,976,000 (31 December 2005: US\$8,947,000) respectively to various banks to secure the bank loans and general banking facilities granted to the Group.