fulbond

福邦控股

Fulbond Holdings Limited

福邦控股有限公司*

(Stock Code: 1041)

INTERIM REPORT 2007

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

Directors
Executive Directors
Mr. Zhang Xi *(Chairman)*
Ms. Zhang Huafang
Mr. Cai Duanhong
Ms. Catherine Chen

Independent non-executive Directors
Mr. Hong Po Kui, Martin
Mr. Yam Tak Fai, Ronald
Mr. Wong Man Hin, Raymond

Audit Committee
Mr. Yam Tak Fai, Ronald *(Chairman)*
Mr. Wong Man Hin, Raymond
Mr. Hong Po Kui, Martin

Remuneration Committee
Mr. Hong Po Kui, Martin *(Chairman)*
Mr. Wong Man Hin, Raymond
Mr. Yam Tak Fai, Ronald
Mr. Zhang Xi

Company Secretary
Mr. Ho Yee Kee, Ricky

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Auditor
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Hong Kong

Stock Code
1041

CHAIRMAN'S STATEMENT

Dear Shareholders,

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 2007 for your review.

In the first half of 2007, it is a challenging for the Group with raw materials prices such as that of log and processing standing consistently high, market competition remained keen with the selling price continued to be restricted. Meanwhile, the management of the Group have enhanced the operating efficiency and execution capability of our executive and front line team. For the six months ended 30 June 2007, the Group turnover reached US$12,607,000 up by 31% over the corresponding period of 2006. Gross profit margin realized 14%, an significant increase of 12% over the corresponding period of 2006; loss attributable to equity holders amounted to US$1,059,000, representing an significant improvement of such remarkable results.

To enhance transparency of the Company, the Board of Directors has complied with the provisions of the Code on Corporate Governance Practices (the "CG Code") to ensure each decision is independent, rational and protecting the public shareholders effectively. Pursuant to the requirements set out in the CG Code, we have established internal control mechanism to establish internal management standards to enable implementation of our long term strategies and decision making process to be effectiveness and operational efficiency.

The Group will strive to improve its financial situation and overall performance. Besides, the Group will continue to strengthen its timber business and continue to explore and develop other businesses. In addition, the Group will also implement prudent financial management and stringent cost control measures to enhance its profitability.

Looking ahead, in addition to the expansion of our existing business, riding on our strong belief and the management's extensive experience in business development, the Group will watch closely for any business opportunities in order to maximize the return for the Group and its shareholders.

On behalf of the Board of Directors, I would like to express my heartfelt appreciations to our shareholders, our management team as well as the employees. We look forward to achieving better results in the coming period and forging ahead.

By order of the Board
Zhang Xi
Chairman

Hong Kong, 13 September 2007

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

In the first half of 2007, turnover of the Group reached US$12,607,000 (2006: US$9,639,000), representing an increase of approximately 31% over the corresponding period of 2006. As compared with the same period last year, the gross profit margin increased significantly from approximately 2% to 14%. The increase in turnover and the marked increased in gross profit margin was mainly due to the expansion of the distribution network in door skin business and export sales of door skin products. On the other hand, the loss attributable to equity holders improved and dropped from approximately US$2,642,000 to US$1,059,000. Basic loss per share of the Company was also improved to US0.012 cent (2006: US0.029 cent).

During the reporting period, the door skin business accounted for approximately 60% of the Group's external turnover (2006: 38%) and contributed US$7,526,000 (2006: US$3,632,000) to the total turnover of the Group, while segmental loss narrowed to approximately US$314,000 (2006: US$495,000). The manufacture and trading of blockboard and particle board products as well as the wooden products were the second and third major items during the reporting period, representing approximately 37% and 3% of the Group's total turnover. The result of the manufacture and trading of wooden products were also narrowed down from the loss of approximately US$313,000 to US$18,000, representing a decrease of approximately 94%. On the other hand, due to the fierce competition and the increase in prices of raw materials, the loss from the segment results of the blockboard and particle board segment widened from approximately US$405,000 to US$434,000.

During the six months ended 30 June 2007, the Group disposed its associated company, Fulhua Mircoelectronics Corporation ("Fulhua") and recognised a disposal gain. Since the disposal of Fulhua has been completed in April 2007, there are no significant contributions generated from this business segment.

Business Review

The Timber Business

In the first half of 2007, the Group recorded a favorable growth in timber business. Thanks to the management and our sales team of our Group, the gross profit margin was attributed to increased export sales of door skin products, which offer a higher profit margin than other products of the Group. Moreover, due to the expansion of the distribution networks, the Group was able to achieve increase in sales of its major timber related products, including blockboard, particle board and door skin.

Our subsidiary Jilin Fudun Timber Company Limited ("Fudun"), specializes in the production of molded door skin in the PRC and exports to overseas markets, including Turkey, the Middle East and Pakistan. Boasting good quality products, Fudun further enhanced its strategic cooperation with overseas customers, we fully utilized our competitive advantages and promptly responded customer needs. As a result, the revenue contributed to the Group was accelerated with revenue from the overseas customers increased by 107%.

In the second half of 2007, we will continue to expand the timber business, to coordinate with the customers, to satisfy them with the quality products and on-time delivery. Meanwhile, the Group will become more aggressive, providing favourable conditions for the development of the customers bases of the timber business.

High Technology Related Business

In the past few years, the Group invested in high technology related business. In April 2007, the Group disposed Fulhua to cut further potential share of losses in Fulhua and to improve the overall performance of the Group by allocating the Group's resources in a more efficient way. The Board considers that, after the disposal of Fulha, the future business prospects of the Group will be improved and will allow the Group to concentrate its resources and manpower to further develop other business sectors. The Group will continue to improve and streamline the Group's existing structure and centralise the strategic objective to develop the core business.

Liquidity and capital resources

As at 30 June 2007, the bank balances and cash of the Group were US$4,081,000 (2006: US$3,661,000). The Group cash flow is primarily denominated in Renminbi. During the reporting period, Renminbi appreciated by 3 percent, which was beneficial to the Group in terms of value of cash and net asset value. In a short run, the Group exposure to the exchange rate fluctuation of Renminbi is expected to be at a low rate.

Total bank and other borrowings as at 30 June 2007 were approximately US$11,339,000 (2006: US$11,674,000). 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 and the Group will monitor time to time its foreign exchange risk.

As at 30 June 2007, the gearing ratio of the Group was approximately 35% (31 December 2006: 34%) (calculated as a percentage of total borrowings over total assets). The Group's total assets was valued at approximately US$32,861,000 (31 December 2006: US$33,970,000). The ratio of cash to shareholder's equity was approximately 50% (31 December 2006: 41%) (calculated as a percentage of total bank balances and cash over equity attributable to equity holders of the Company). The equity attributable to equity holders of the Company was US$8,228,000 (2006: US$8,957,000).

Outlook

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

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 reviewed the interim financial information set out on pages 8 to 20 which comprises the condensed consolidated balance sheet of Fulbond Holdings Limited as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility to express a conclusion on this interim financial information based on our review, 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.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
13 September 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	**1.1.2007 to 30.6.2007 (Unaudited) *US$'000***	1.1.2006 to 30.6.2006 (Unaudited) *US$'000*
Turnover	*3*	**12,607**	9,639
Cost of sales		**(10,866)**	(9,415)
Gross profit		**1,741**	224
Other income		**652**	594
Selling and distribution costs		**(1,680)**	(1,070)
Administrative expenses		**(1,532)**	(1,157)
Finance costs		**(414)**	(430)
Gain on disposal of an associate	*8*	**521**	–
Share of results of associates		**(354)**	(939)
Loss before taxation		**(1,066)**	(2,778)
Taxation	*4*	**(351)**	(582)
Loss for the period	*5*	**(1,417)**	(3,360)
Attributable to:			
Equity holders of the Company		**(1,059)**	(2,642)
Minority interests		**(358)**	(718)
		(1,417)	(3,360)
Loss per share attributable to equity holders of the Company			
– Basic	*6*	**US (0.012) cent**	US(0.029) cent

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2007

	Notes	30.6.2007 (Unaudited) US$'000	31.12.2006 (Audited) US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	7	**13,771**	14,944
Prepaid lease payments		**849**	905
Interests in associates	8	**–**	349
		14,620	16,198
CURRENT ASSETS			
Inventories		**6,284**	6,561
Trade and other receivables	9	**6,111**	5,986
Deposits and prepayments		**1,245**	1,408
Amount due from an associate	10	**412**	–
Prepaid lease payments		**108**	108
Taxation recoverable		**–**	48
Bank balances and cash		**4,081**	3,661
		18,241	17,772
CURRENT LIABILITIES			
Trade and other payables	11	**8,105**	7,265
Amount due to an associate	12	**48**	531
Amount due to a controlling shareholder	12	**363**	–
Amount due to former ultimate holding company	12	**–**	560
Taxation payable		**238**	–
Bank and other borrowings – amount due within one year	13	**11,058**	10,015
		19,812	18,371
NET CURRENT LIABILITIES		**(1,571)**	(599)
Total assets less current liabilities		**13,049**	15,599
Non-current liabilities			
Bank and other borrowings – amount due after one year	13	**281**	1,659
		12,768	13,940
CAPITAL AND RESERVES			
Share capital	14	**9,197**	9,197
Reserves		**(969)**	(240)
Equity attributable to equity holders of the Company		**8,228**	8,957
Minority interests		**4,540**	4,983
		12,768	13,940

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	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 2007	**9,197**	**47,640**	**716**	**1,585**	**1,576**	**4**	**(51,761)**	**8,957**	**4,983**	**13,940**
Exchange differences arising on translation of operations in PRC	**-**	**-**	**-**	**-**	**506**	**-**	**-**	**506**	**(9)**	**497**
Share of reserve of an associate	**-**	**-**	**-**	**-**	**5**	**-**	**-**	**5**	**-**	**5**
Net income directly recognised in equity	**-**	**-**	**-**	**-**	**511**	**-**	**-**	**511**	**(9)**	**502**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(1,059)**	**(1,059)**	**(358)**	**(1,417)**
Reserve released upon disposal of an associate	**-**	**-**	**(166)**	**(16)**	**1**	**-**	**-**	**(181)**	**-**	**(181)**
Total recognised income and expense for the period	**-**	**-**	**(166)**	**(16)**	**512**	**-**	**(1,059)**	**(729)**	**(367)**	**(1,096)**
Dividends paid to a minority shareholder	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(76)**	**(76)**
Transfer	**-**	**-**	**-**	**58**	**-**	**-**	**(58)**	**-**	**-**	**-**
Balance at 30 June 2007	**9,197**	**47,640**	**550**	**1,627**	**2,088**	**4**	**(52,878)**	**8,228**	**4,540**	**12,768**
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	9,197	47,640	716	1,585	761	4	(47,386)	12,517	7,226	19,743

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	1.1.2007 to 30.6.2007 (Unaudited)	1.1.2006 to 30.6.2006 (Unaudited)
	US$'000	*US$'000*
Net cash generated from operating activities	**2,098**	242
Net cash used in investing activities	**(960)**	(810)
Net cash used in financing activities	**(727)**	(728)
Net increase/(decrease) in cash and cash equivalents	**411**	(1,296)
Cash and cash equivalents at beginning of the period	**3,661**	2,635
Effect of changes in foreign exchange rate	**9**	–
Cash and cash equivalents at end of the period, representing bank balances and cash	**4,081**	1,339

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

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 and with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting Standard" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

In preparing the condensed consolidated financial statements, the directors have given consideration to the future liquidity of the Group. While recognising that the Group had sustained a net current liabilities of US$1,571,000 as at 30 June 2007, the Group has obtained financial support from Civil Talent International Limited, the controlling shareholder of the Company, to enable the Group to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. Principal Accounting Policies

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

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2007. The application of these new HKFRSs has had no material effect on the results or financial position of the Group for the current and prior accounting periods. Accordingly, no prior period adjustment has been required.

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

2. Principal Accounting Policies *(Continued)*

HKAS 23 (Revised)	Borrowing costs[1]
HKFRS 8	Operating segments[1]
HK(IFRIC)-INT 11	HKFRS 2: Group and treasury share transactions[2]
HK(IFRIC)-INT 12	Service concession arrangements[3]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 March 2007.
[3] Effective for annual periods beginning on or after 1 January 2008.

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

3. Segment information *(Continued)*

For the six months ended 30 June 2007

	Blockboard and particle board US$'000	Door skin US$'000	Other wooden products US$'000	Others US$'000	Consolidated US$'000
TURNOVER					
External sales	**4,650**	**7,526**	**431**	**–**	**12,607**
SEGMENT RESULT	**(434)**	**(314)**	**(18)**	**52**	**(714)**
Unallocated corporate expenses					**(105)**
Finance costs					**(414)**
Gain on disposal of an associate	**–**	**–**	**–**	**521**	**521**
Share of results of associates	**–**	**–**	**–**	**(354)**	**(354)**
Loss before taxation					**(1,066)**
Taxation					**(351)**
Loss for the period					**(1,417)**

3. Segment information *(Continued)*

For the six months ended 30 June 2006

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

4. Taxation

	1.1.2007 to 30.6.2007 ***US$'000***	1.1.2006 to 30.6.2006 *US$'000*
The charge comprises:		
People's Republic of China (the "PRC")		
Enterprise Income Tax	**351**	–
Deferred tax charge	**–**	582
	351	582

4. Taxation *(Continued)*

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

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

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by order No. 63 of the President of the PRC, which will change the tax rate from 33% to 25% for certain PRC subsidiaries from 1 January 2008.

5. Loss for the period

	1.1.2007 to 30.6.2007 ***US$'000***	1.1.2006 to 30.6.2006 *US$'000*
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**1,555**	1,359
Loss on disposal of property, plant and equipment	**–**	4
Write-down of inventories *(Note a)*	**1,125**	298
and after crediting:		
Interest income	**15**	13
Value added tax refund *(Note b)*	**561**	357

Notes:

(a) The directors compared the carrying amounts of the Group's inventories at 30 June 2007 with their estimated net realisable value, as a result, a write-down of inventories totalling US$1,125,000 (six months ended 30 June 2006: US$298,000) was charged to the condensed consolidated income statement.

(b) Certain subsidiaries of the Company established in the PRC are involved in the production of wooden products which require the use of raw materials that are environmental friendly. Pursuant to the relevant rules and regulations of the PRC governing the value added tax ("VAT") treatment of such subsidiaries, during the six months ended 30 June 2007, VAT totalling US$561,000 (six months ended 30 June 2006: US$357,000) was refunded to these subsidiaries.

6. Loss per share

The calculation of the loss per share is based on the loss for the period attributable to equity holders of the Company US$1,059,000 (six months ended 30 June 2006: US$2,642,000) and of 9,197,779,755 (six months ended 30 June 2006: 9,197,779,755) shares in issue during the period.

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

7. Property, plant and equipment

During the six months ended 30 June 2007, the Group spent approximately US$441,000 (six months ended 30 June 2006: US$290,000) on acquisitions of property, plant and equipment.

8. Interests in associates

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

9. Trade and other receivables

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

	30.6.2007 ***US$'000***	31.12.2006 *US$'000*
Trade receivables, aged		
0 – 90 days	**3,143**	3,535
91 – 180 days	**564**	362
More than 180 days	**626**	493
	4,333	4,390
Other receivables	**1,778**	1,596
	6,111	5,986

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

10. Amount due from an associate

The amount due from an associate is unsecured, non-interest bearing and repayable on demand.

11. Trade and other payables

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

	30.6.2007	31.12.2006
	US$'000	*US$'000*
Trade payables, aged		
0 – 90 days	**1,660**	1,460
91 – 180 days	**14**	88
More than 180 days	**1,382**	1,349
	3,056	2,897
Other payables	**5,049**	4,368
	8,105	7,265

12. Amounts due to an associate/a controlling shareholder/former ultimate holding company

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

13. Bank and other borrowings

During the six months ended 30 June 2007, the Group repaid bank loans totalling US$300,000 (six months ended 30 June 2006: US$5,324,000) and no new bank loans were obtained (six months ended 30 June 2006: US$5,026,000). All borrowings bear interest at prevailing market rates and are repayable within five years.

14. Share capital

	Number of shares	Amount US$'000
Ordinary shares of US$0.001 each		
Issued and fully paid		
At 1 January 2007 and 30 June 2007	9,197,779,755	9,197

15. Capital commitments

At the balance sheet date, the Group had outstanding capital commitments as follows:

	30.6.2007 ***US$'000***	31.12.2006 *US$'000*
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	**–**	357

16. Leasing arrangements

The Group as lessee

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

	30.6.2007	31.12.2006
	US$'000	*US$'000*
Within one year	**61**	46
In the second to fifth year inclusive	**127**	130
	188	176

The Group as a lessor

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

	30.6.2007	31.12.2006
	US$'000	*US$'000*
Within one year	**125**	125
In the second to fifth year inclusive	**127**	195
	252	320

The plant and machinery, with insignificant carrying amount, was leased out for a period of three years and the rentals were pre-determined and fixed.

17. Pledge of assets

At 30 June 2007, the Group had pledged certain properties and plant and equipment with an aggregate carrying amount of US$6,539,000 (31 December 2006: US$8,150,000) to various banks to secure the bank loans and general banking facilities granted to the Group.

OTHER INFORMATION

Interim Dividend

The Board of Directors resolved not to declare any interim dividend for the six months ended 30 June 2007.

Share Options

(a) Share options to subscribe Company's shares

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

Pursuant to the disclosure of share options of the Group's 2006 annual report, the ex-directors, executives and employees of the Company surrendered and cancelled the share options previously granted to them by the Company under the Company's share option scheme during the year 2006. During the six months ended 30 June 2007, there is no movement in the number of options outstanding which have been granted, exercised, cancelled or lapsed by the Company to the Directors, executives and employees of the Company under the Company's share option scheme.

(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 2007 were recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance ("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.

Disclosure of Interests

Directors Interests

As at 30 June 2007, save as disclosed below, none of the directors or chief executives of the Company or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO with (i) had to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and the chief executives were taken or deemed to have under such provisions of the SFO) or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

Long positions in interests in the shares of the Company

Name of Director	Capacity	Number of issued Ordinary Shares held	Approximate percentage of the issued share capital of the Company
Mr. Zhang Xi	Interest of controlled corporation (*Note*)	2,792,826,000	30.36%

Note: The above Shares are held through Civil Talent International Limited, which is wholly owned by Mr. Zhang.

Substantial Shareholders' Interests

As at 30 June 2007, 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 of the Company:

Long positions in interests in the Shares of the Company

	Number of Ordinary Shares			
Name of shareholder	**Direct interests**	**Deemed interests**	**Total interests**	**Approximate percentage of the issued share capital of the Company**
Civil Talent International Limited ("CTIL")	2,792,826,000	–	2,792,826,000	30.36%
Mr. Zhang Xi *(Note)*	–	2,792,826,000	2,792,826,000	30.36%

Note:

CTIL, a company incorporated in British Virgin Islands, is wholly owned by Mr. Zhang Xi. Mr. Zhang Xi is therefore, by virtue of the SFO, deemed to be interested in the Company's shares in which CTIL is interested.

Save as disclosed above, as at 30 June 2007, the Company has not been notified by any persons (other than Directors and chief executive of the Company) 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 has reviewed with management and the Company's auditor, Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group and discussed, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months period ended 30 June 2007.

Corporate Governance

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

The Code on Corporate Governance Practices (the "CG Code") as set out in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the Listing Rules's stipulates the principles of good corporate governance and two levels of recommendations: (a) Code Provisions; and (b) Recommended Best Practices. As disclosed in the Corporate Governance Report contained in the Company's 2006 annual report, the Company has applied the principles under the CG Code, and has been in full compliance with all the Code Provisions and certain Recommended Best Practices as set out in the CG Code. Throughout the Period, the Company has been in full compliance with all the Code Provisions and certain Recommended Best Practices as set out in the CG Code.

Employees and Compensation Policy

As at 30 June 2007, the Group employed approximately 800 full-time employees. Employees are remunerated according to market rates. Compensation comprises basic salary, annual bonus, benefits and share options award. The objective of the Group is to enhance the contribution of key employees with the performance of the Group and the interests of shareholders. The level of cash compensation varies among different positions, and the proportion of performance-based bonus in direct compensation also increases with importance of duties. This is to ensure that the Group can motivate high-calibre candidates required for the development of the Group. The Group reviews its compensation policy annually to ensure the competitiveness of the compensation policy which, in turn, will support the business growth of the Group. No individual employee shall have the right to determine his/her own compensation.

Model Code for Securities Transactions by Directors of the Company

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.

Purchase, Sales or Redemption of Listed Securities of the Company

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