

The logo for Fulbond, featuring the word "fulbond" in a bold, lowercase, sans-serif font. The "ful" is in a dark blue color, and "bond" is in a gold color. The background of the entire page is a light blue with a complex, abstract pattern of overlapping squares and circles, creating a sense of depth and movement.

福 邦 控 股

Fulbond Holdings Limited

福 邦 控 股 有 限 公 司*

(Stock Code: 1041)

INTERIM REPORT

2009

* For identification purpose only



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Zhang Xi (*Chairman*)
Mr. Cheng Wyman Paul
(*Chief Executive Officer*)
Ms. Catherine Chen (*Managing Director*)
Mr. Yeung Kwok Yu
(*appointed on 27th July, 2009*)
Mr. Lee Sun Man
(*appointed on 27th July, 2009*)

Non-executive Directors

Mr. Chiu Sui Keung
(*resigned on 31st July, 2009*)

Independent Non-executive Directors

Mr. Hong Po Kui, Martin
Mr. Yu Pan
(*appointed on 5th August, 2009*)
Ms. Ma Yin Fan
(*appointed on 10th August, 2009*)
Mr. Leung Hoi Ying
(*appointed on 10th August, 2009*)
Mr. Wong Man Hin, Raymond
(*resigned on 5th August, 2009*)
Mr. Yam Tak Fai, Ronald
(*resigned on 7th August, 2009*)

BOARD COMMITTEES

Audit Committee

Ms. Ma Yin Fan (*Chairlady*)
(*appointed on 10th August, 2009*)
Mr. Hong Po Kui, Martin
Mr. Leung Hoi Ying
(*appointed on 10th August, 2009*)
Mr. Wong Man Hin, Raymond
(*resigned on 5th August, 2009*)
Mr. Yam Tak Fai, Ronald
(*resigned on 7th August, 2009*)

Remuneration Committee

Mr. Hong Po Kui, Martin (*Chairman*)
Ms. Ma Yin Fan
(*appointed on 10th August, 2009*)
Mr. Leung Hoi Ying
(*appointed on 10th August, 2009*)
Mr. Wong Man Hin, Raymond
(*resigned on 5th August, 2009*)
Mr. Yam Tak Fai, Ronald
(*resigned on 7th August, 2009*)
Mr. Zhang Xi

COMPANY SECRETARY

Mr. Ho Yee Kee, Ricky

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISER

Richards Butler in association with
Reed Smith LLP

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,

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 30th June, 2009 for your review.

FINANCIAL RESULTS

Revenue

The Group's unaudited consolidated revenue for the six months ended 30th June, 2009 amounted to approximately US\$23,011,000, representing a substantial increase of 116% as compared with US\$10,664,000 in the corresponding period of 2008. The increase in revenue indicated that the Group's business has been back on track for rapid growth since the completion of the acquisition of Prowealth Holdings Group Limited ("Prowealth") in 2008.

The Group's gross profit increased to approximately US\$2,818,000 during the reporting period from US\$981,000 in the corresponding period of last year. Accordingly, the gross profit margin rose to 12.2% for the reporting period from 9.2% in the corresponding period of 2008.

During the reporting period, the total revenue of the Group was attributed from two business segments, namely timber business food processing & distribution business. The timber business as well as the food processing & distribution business accounted for approximately 27.5% and 72.5% of the total revenue of the Group respectively. The Group's new business also achieved substantial growth in both revenue and gross profit. The improvements were mainly attributed to the processing and distribution of frozen seafood products business segment.

Other income

Other income of the Group amounted to approximately US\$571,000 for the six months ended 30th June 2009, representing 278% increase as compared with US\$151,000 in the corresponding period of 2008.

Selling and Distribution Costs

Selling and distribution costs increased to approximately US\$1,103,000 for the six months ended 30th June, 2009 from US\$913,000 in the corresponding period of last year. Meanwhile, the selling and distribution costs as a percentage of the Group's total revenue dropped to 4.8% during the reporting period from 8.6% in the corresponding period of last year. The decreases indicated that the Group has effectively controlled its marketing costs through taking a series of cost-reduction measures during the reporting period.

Administrative Expenses

The Group's administrative expenses increased to approximately US\$3,455,000 for the six months ended 30th June, 2009 from approximately US\$2,895,000 in the corresponding period of last year. The administrative expenses as a percentage of the Group's total revenue also fell to 15.0% for the six months ended 30th June, 2009 from 27.1% in the corresponding period of last year. It indicated that the Group has achieved to maintain low level of the operation expenses during the reporting period.

Finance Costs

Finance costs of the Group for the six months ended 30th June, 2009 amounted to approximately US\$3,784,000 representing an increase of US\$3,212,000 as compared with US\$572,000 in the corresponding period of last year. The increase was primarily due to an increase in the interest expenses of the Group's interest-bearing convertible notes issued in 2008.

Taxation

The Group's income tax expenses amounted to US\$35,000 for the six months ended 30th June, 2009, while it was nil in the corresponding period of last year. The increase in the income tax expenses was mainly attributable to the operating profit in certain PRC subsidiaries during the reporting period. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for both periods presented.

Net Loss

The Group recorded a net loss of US\$2,283,000 for the six months ended 30th June, 2009, while it recorded a net loss of US\$1,727,000 in the corresponding period of 2008. Although the Group's administrative and selling expenses were effectively controlled, leading to a significant decrease in those expenses during the reporting period, the interest expenses on convertible notes attributed to an increase in the net loss during the reporting period.

The basic loss per share was approximately US0.016 cents for the six months ended 30th June, 2009, while basic loss per share was approximately US0.002 cents in the corresponding period of 2008. Meanwhile, the diluted loss per share was approximately US0.024 cents for the six months ended 30th June, 2009, while basic loss per share was approximately US0.041 cents in the corresponding period of 2008. The computation of diluted loss per share for the six months ended 30th June, 2009 and 30th June, 2008 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 the periods. In addition, it does not assume the exercise of the Company's outstanding warrants and certain convertible notes since their exercise would result in a decrease in the loss per share.

BUSINESS REVIEW

Timber Business

The revenue of timber business sharply decreased to approximately US\$6,323,000, representing a substantial decline of 40.7% as compared with US\$10,664,000 in the corresponding period of 2008. The decrease in revenue indicated a recession result in timber business in the first half of 2009. The timber business accounted for approximately 27.5% of the total revenue of the Group during the reporting period. The management will continue to review the product sales performance and expand its sales network and certain restructuring strategic plans will be performed.

Food Processing & Distribution Business

Prowealth became a wholly-owned subsidiary of the Company since October 2008 and it is principally engaged in food processing & distribution of frozen seafood. The revenue of the food processing and distribution business amounts to US\$16,688,000. The segment revenue accounted for approximately 72.5% of the total revenue of the Group during the reporting period.

Prowealth has abundant experience in trading and food processing of aquatic products. The main operations are located in Maoming in Guangdong province and Haikou in Hainan province. There are convenient sea and land transportation, low pollution environment and rich aquatic resources. Prowealth has steady suppliers and stable market share. The key products, such as tilapia and shrimps, are exported to Europe, USA, Canada and Australia. In order to maintain the efficiency of supply and stabilization of supply of high quality raw materials, Prowealth supports the suppliers with the service in the aspects of production, technique and information sharing with a result in standardized management for the aquatic products.

FUTURE PLANS AND PROSPECTS

Although the global financial crisis continues to pose challenges for business, the global economy is to stabilize and show signs of recovery as well as the growth rate of China's economy is expected to further increase. The Group still maintains a positive attitude toward market growth in the coming years. In this period of uncertainty, the Group strives to consolidate overall marketing strategies and strengthen its product. The Group remains its focus on Mainland China for its business expansion. The cost and quality control measure will continue to carry out to improve the operation efficiency of the Group. Meanwhile, the Group will continue to focus on potential market for the exploring new business growth opportunities.



APPRECIATION

The board of directors (the “Board”) would like to take this opportunity to express our appreciation to all our staff for their contribution and dedication and the continuous support from our shareholders, customers, suppliers, banks and the professional advisers through the reporting period.

By the Order of the Board
Zhang Xi
Chairman

Hong Kong, 28th September, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2009, the Group's cash and bank balances amounted to US\$10,033,000 (as at 31st December, 2008: US\$8,882,000), representing an increase of US\$1,151,000 or 13%. As at 30th June, 2009, the bank and other borrowing amounted to US\$ 19,566,000 (as at 31st December, 2008: US\$22,498,000). During the reporting period, the Group repaid bank loans totalling US\$ 2,926,000 (six months ended 30th June, 2008: US\$99,000) and no new bank loans were obtained during both periods. All borrowings bear interest at prevailing market rates and are repayable within five years.

During the reporting period, net cash from operating activities was US\$6,005,000. The net cash used in investing activities was US\$925,000, which was mainly due to acquisitions of property, plant and equipment amounted US\$1,198,000. The net cash used in financing activities was US\$3,966,000, which was mainly due to repayment of bank loans amounted to US\$2,926,000. As a result, the net increase in cash and cash equivalents during the period was US\$1,114,000 and the bank balances and cash at the end of the period was US\$10,033,000.

On 6th August, 2009, the Company proposed to issue convertible redeemable notes ("Fulbond Convertible Notes") with a maximum aggregate principal amount of HK\$800,000,000 to be due on the date falling upon the expiry of three years from the date on which Fulbond Convertible Notes are first issued. The Fulbond Convertible Notes will be non-interest bearing. The Fulbond Convertible Notes will carry a right to convert into shares with a maximum of 80,000,000,000 new shares of the Company if full exercise of the convertible right attached at the conversion price of, subject to adjustment, HK\$0.01 per conversion share. The Boards intends to redeem the existing convertible notes issued by the Company and to strengthen the cash position for the Group. Up to the report date, the proposed placing has not been approved by the shareholder of the Company.



CAPITAL STRUCTURE

As at 30th June, 2009, the Group's gearing ratio calculated on the basis of warrant, convertible notes, bank and other borrowings of approximately US\$57,674,000 (as at 31st December, 2008: US\$61,567,000) and total assets of approximately US\$60,255,000 (as at 31st December, 2008: US\$66,063,000), was 48.9% (as at 31st December, 2008: 48.2%)

The Company issued 3,756,840,000 shares to Wise Virtue Holdings Limited ("Wise Virtue") was satisfied by as consideration shares for the acquisition of Prowealth in 2008. As at 30th June 2009, the number of the Company's issued shares was enlarged to 12,954,619,755 shares.

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, RMB or US dollars. The Group has not adopted any hedging policies, as these currencies carry low exchange fluctuation risks. However, management will monitor foreign exposure closely and consider the usage of hedging instruments when the need arise.

PLEDGE OF ASSETS

On 30th June, 2009, the Group had pledged certain properties and plant and equipment with an aggregate carrying amount of US\$9,613,000 (as at 31st December, 2008: US\$11,284,000) to various banks to secure the bank loans and general banking facilities granted to the Group.

BOARD OF DIRECTORS

The directors during the period and up to date of this report were:

DIRECTORS

Executive Directors

Mr. Zhang Xi (*Chairman*)
Mr. Cheng Wyman Paul (*Chief Executive Officer*)
Ms. Catherine Chen (*Managing Director*)
Mr. Yeung Kwok Yu (*appointed on 27th July, 2009*)
Mr. Lee Sun Man (*appointed on 27th July, 2009*)

Non-executive Directors

Mr. Chiu Sui Keung (*resigned on 31st July, 2009*)

Independent Non-executive Directors

Mr. Hong Po Kui, Martin
Mr. Yu Pan (*appointed on 5th August, 2009*)
Ms. Ma Yin Fan (*appointed on 10th August, 2009*)
Mr. Leung Hoi Ying (*appointed on 10th August, 2009*)
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Mr. Wong Man Hin, Raymond (*resigned on 5th August, 2009*)
Mr. Yam Tak Fai, Ronald (*resigned on 7th August, 2009*)
Mr. Zhang Xi

CHANGE OF DIRECTORSHIP

Below are certain changes to the information of some of the Directors since the publication of the Company's 2008 annual report.

On 27th July, 2009, Mr. Yeung Kwok Yu was appointed as executive director of the Company.

On 27th July, 2009, Mr. Lee Sun Man was appointed as executive director of the Company.

On 31th July, 2009, Mr. Chiu Sui Keung was resigned as non-executive director of the Company.

On 5th August, 2009, Mr. Yu Pan was appointed as independent non-executive director of the Company.

On 5th August, 2009, Mr. Wong Man Hin, Raymond was resigned as independent non-executive director of the Company.

On 7th August, 2009, Mr. Yam Tak Fai, Ronald was resigned as independent non-executive director of the Company.

On 10th August, 2009, Mr. Leung Hoi Ying was appointed as independent non-executive director of the Company.

On 10th August, 2009, Ms. Ma Yin Fan was appointed as independent non-executive director of the Company.

EMPLOYEES AND REMUNERATION POLICIES

As of 30th June, 2009, the Group has approximately 2,200 full time management, administrative and production staff in the PRC and Hong Kong. Remuneration package and benefits were determined in accordance with market terms as well as the duties, performance, qualification and experience of the staff. The Group regularly reviews its remuneration packages in light of the overall development of the Group. In addition, the Group set up a share option scheme for eligible employees (including directors) to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Group.



ADDITIONAL INFORMATION

Interim Dividend

The Board has resolved not to declare an interim dividend in respect of the six months ended 30th June, 2009 (2008: Nil). Accordingly, no closure of Register of Member of the Company is proposed.

Share Options

Share options to subscribe Company's shares

Pursuant to the Company's share option scheme adopted on 19th November, 2001 under which the Board, 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 2008 annual report, the 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 2008. During the six months ended 30th June, 2009, 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.

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 30th June, 2009 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' Interest In Shares And Underlying Shares

At 30th June, 2009, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

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 2009.

As at 22nd July, 2009, Mr. Zhang Xi owned 1,592,826,000 shares of the Company.

Substantial Shareholders' Interests

As at 30th June, 2009, 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:

Long positions in the Shares

Name of shareholder	Capacity	Number of Shares interested	Approximate percentage of the issued Share capital of the Company
Wise Virtue Holdings Limited (Note 1)	Beneficial owner	933,316,976	7.2%
Ms. Lam So Ying (Note 1)	Interest of controlled corporation	933,316,976	7.2%
Sun Boom Limited (Note 2)	Beneficial owner	2,680,308,139	29.14%
Ajia Partners Special Situations Fund I L.P. (Note 2)	Interest of controlled corporation	2,680,308,139	29.14%
Ajia Partners Special Situations G.P. Limited (Note 2)	Interest of controlled corporation	2,680,308,139	29.14%
Ms. Lam Hay Chun	Interest of controlled corporation	1,592,826,000	12.29%
Mr. Li Geng	Beneficial owner	1,656,840,000	12.79%

Notes:

- (1) Wise Virtue Holdings Limited ("Wise Virtue") is a company wholly and beneficially owned by Ms. Lam So Ying.
- (2) These underlying shares were held by Sun Boom Limited, a company controlled by Ajia Partners Special Situations Fund I L.P.. Ajia Partners Special Situations G.P. Limited was deemed to have interest in these underlying shares through its subsidiary Ajia Partners Special Situations Fund I L.P.. Accordingly, all these parties were deemed, under the SFO, to have an interest in these underlying shares by Virtue of their respective corporate interests in Sun Boom Limited.

Save as disclosed above, as at 30th June, 2009, 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 30th June, 2009.

Review of Interim Results

The Audit Committee has reviewed the Group's interim report for the six months ended 30th June, 2009 and the Company's external auditors, Deloitte Touche Tohmatsu, has conducted a review of the interim financial information of the Group for the six months ended 30th June, 2009 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.

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 emphasized on 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 Listing Rules 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 2008 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 reporting 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.

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 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, 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 for the six months ended 30th June, 2009.

Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended 30th June, 2009, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any listed securities of the Company.

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 18 to 42, which comprises the condensed consolidated statement of financial position of Fulbond Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30th June, 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows 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 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is 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.

Without qualifying our review conclusion, we draw attention to note 1 to the interim financial information which indicates that the Group incurred a loss of US\$2,283,000 during the six months ended 30th June, 2009 and, as of that date, the Group had net current liabilities of US\$30,227,000 and net liabilities of US\$14,419,000. These conditions, along with other matters as set forth in note 1 to the interim financial information, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong
28th September, 2009

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2009

	Notes	Six months ended 30th June,	
		2009 (Unaudited) US\$'000	2008 (Unaudited) US\$'000
Turnover	3	23,011	10,664
Cost of sales		(20,193)	(9,683)
Gross profit		2,818	981
Other income		571	151
Selling and distribution costs		(1,103)	(913)
Administrative expenses		(3,455)	(2,895)
Impairment loss recognised in respect of property, plant and equipment	7	-	(3,143)
Gain on disposal of a subsidiary	20	-	1,051
Change in fair value of derivative financial instruments and warrants		2,705	3,613
Finance costs		(3,784)	(572)
Loss before taxation		(2,248)	(1,727)
Taxation	4	(35)	-
Loss for the period	5	(2,283)	(1,727)
Exchange differences arising on translation of functional currency to presentation currency		30	597
Reserves released upon disposal of a subsidiary		-	(234)
Total comprehensive income for the period		(2,253)	(1,364)
Loss for the period attributable to:			
Owners of the Company		(2,024)	(199)
Minority interests		(259)	(1,528)
		(2,283)	(1,727)
Total comprehensive income attributable to:			
Owners of the Company		(1,993)	4
Minority interests		(260)	(1,368)
		(2,253)	(1,364)
Loss per share attributable to owners of the Company	6		
– basic		US(0.016) cent	US(0.002) cent
– diluted		US(0.024) cent	US(0.041) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2009

	Notes	30.6.2009 (Unaudited) US\$'000	31.12.2008 (Audited) US\$'000
Non-current assets			
Property, plant and equipment	7	10,685	11,133
Intangible assets		2,274	2,539
Prepaid lease payments		3,020	3,046
Other advances		220	439
Deferred tax asset		344	350
Goodwill	8	-	-
Interests in associates	9	-	-
Other investments	10	-	-
Club debenture	11	-	-
		16,543	17,507
Current assets			
Inventories		15,754	16,685
Trade and other receivables	12	11,301	18,263
Deposits and prepayments		6,209	3,705
Prepaid lease payments		70	70
Amount due from a director of a subsidiary	14	345	951
Bank balances and cash		10,033	8,882
		43,712	48,556
Current liabilities			
Trade and other payables	13	15,040	14,170
Amounts due to associates	14	76	76
Amount due to a related party	14	162	162
Amounts due to directors of subsidiaries	14	580	189
Taxation payable		407	775
Warrants	15	85	15
Convertible notes	16	38,023	39,054
Bank and other borrowings-amount due within one year	17	19,566	22,043
		73,939	76,484
Net current liabilities		(30,227)	(27,928)
Total assets less current liabilities		(13,684)	(10,421)
Non-current liabilities			
Bank and other borrowings-amount due after one year	17	-	455
Deferred tax liability		735	803
		735	1,258
		(14,419)	(11,679)
Capital and reserves			
Share capital	18	12,954	12,954
Reserves		(27,824)	(25,831)
Equity attributable to owners of the Company		(14,870)	(12,877)
Minority interests		451	1,198
		(14,419)	(11,679)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2009

	Share capital US\$'000	Share premium US\$'000	Capital reserve US\$'000	General reserve US\$'000	Exchange translation reserve US\$'000	Share option reserve US\$'000	Capital redemption reserve US\$'000	Accumulated losses US\$'000	Total US\$'000	Minority interests US\$'000	Total US\$'000
At 1st January, 2009 (audited)	12,954	53,078	551	1,670	2,651	524	4	(84,309)	(12,877)	1,198	(11,679)
Exchange difference arising on translation of functional currency to presentation currency	-	-	-	-	31	-	-	-	31	(1)	30
Loss for the period	-	-	-	-	-	-	-	(2,024)	(2,024)	(259)	(2,283)
Total comprehensive income for the period	-	-	-	-	31	-	-	(2,024)	(1,993)	(260)	(2,253)
Dividends paid to a minority shareholder	-	-	-	-	-	-	-	-	-	(487)	(487)
Transfer	-	-	-	246	-	-	-	(246)	-	-	-
At 30th June, 2009 (unaudited)	12,954	53,078	551	1,916	2,682	524	4	(86,579)	(14,870)	451	(14,419)
At 1st January, 2008 (audited)	9,197	47,640	923	1,969	2,581	4,003	4	(59,809)	6,508	3,475	9,983
Exchange difference arising on translation of functional currency to presentation currency	-	-	-	-	437	-	-	-	437	160	597
Released upon disposal of a subsidiary	-	-	(372)	(723)	(234)	-	-	1,095	(234)	-	(234)
Loss for the period	-	-	-	-	-	-	-	(199)	(199)	(1,528)	(1,727)
Total comprehensive income for the period	-	-	(372)	(723)	203	-	-	896	4	(1,368)	(1,364)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	526	526
At 30th June, 2008 (unaudited)	9,197	47,640	551	1,246	2,784	4,003	4	(58,913)	6,512	2,633	9,145

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2009

	Note	Six months ended 30th June,	
		2009 (Unaudited) US\$'000	2008 (Unaudited) US\$'000
Net cash from (used in) operating activities		6,005	(1,348)
Investing activities			
Purchases of property, plant and equipment		(1,198)	(461)
Proceeds on disposal of property, plant and equipment		-	4
Proceeds from disposal of a subsidiary	20	-	95
Other investing activities (net)		273	28
Net cash used in investing activities		(925)	(334)
Financing activities			
Repayment of bank loans		(2,926)	(99)
Repayment to former ultimate holding company		-	(588)
Repayment to a shareholder		-	(576)
Proceed from issue of convertible note		-	3,700
Proceed from issue of warrants		-	192
Transaction cost paid on issue of convertible note		-	(102)
Other financing cash flows (net)		(1,040)	(370)
Net cash (used in) from financing activities		(3,966)	2,157
Net increase in cash and cash equivalents		1,114	475
Cash and cash equivalents at beginning of the period		8,882	6,888
Effect of changes in foreign exchange rate		37	145
Cash and cash equivalents at end of the period, representing bank balances and cash		10,033	7,508

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

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” 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. While recognising that the Group incurred a loss of US\$2,283,000 during the six months ended 30th June, 2009 and as of that date, the Group had net current liabilities of US\$30,227,000 and net liabilities of US\$14,419,000. The Group has obtained financial support from a shareholder and Chairman of the Company, Mr. Zhang Xi (“Mr. Zhang”), to assist the Group to meet in full its financial obligations as they fall due in the foreseeable future.

Given the condition as described above and provided that the Group can continue to successfully refinance its bank borrowings and complete the proposed issuance of the convertible redeemable notes (as set out in note 24), 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.

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.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2008.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1st January, 2009.

2. Principal Accounting Policies (Continued)

Presentation of financial statements

HKAS 1 (Revised) "Presentation of financial statements" has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. The adoption of HKAS 1 (Revised), however, has no impact on the reported results or financial position of the Group.

Segment information

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st January, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments (see note 3), but has had no impact on the reported results or financial position of the Group.

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment of HKFRS 5 as part of improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 27 (Revised)	Consolidated and separate financial statements ¹
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Amendments)	Additional exemptions for first-time adopter ³
HKFRS 2 (Amendment)	Group cash-settled share based payments transactions ³
HKFRS 3 (Revised)	Business combinations ¹
HK(IFRIC)*-Int 17	Distributions of non-cash assets to owners ¹
HK(IFRIC)-Int 18	Transfers of assets from customers ⁴

2. Principal Accounting Policies *(Continued)*

Segment information (Continued)

- ¹ Effective for annual periods beginning on or after 1st July, 2009.
 - ² Amendments that are effective for annual periods beginning on or after 1st July, 2009 or 1st January, 2010, as appropriate.
 - ³ Effective for annual periods beginning on or after 1st January, 2010.
 - ⁴ Effective for transfers on or after 1st July, 2009.
- * IFRIC represents the International Financial Reporting Interpretations Committee.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. Segment Information

Business segments

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st January, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to segments and to assess their performance.

In prior years, segment information reported externally was analysed on the basis of the types of goods supplied by the Group's principal operating divisions (i.e. blockboard and particle board, door skin and other wooden products). However, since the acquisition of a new food processing and distribution business and the downsizing of the timber related business in 2008, information reported to the Group's Chairman for the purpose of resource allocation and assessment of performance has changed and focuses on only two business segments. The Group's reportable segments under HKFRS 8 are therefore as follows:

Timber-manufacture of and trading in wooden products including blockboard and particle board, door skin and other wooden products

3. Segment Information (Continued)

Business segments (Continued)

Food processing and distribution-processing and distribution of frozen seafood products

Information regarding these segments is presented below. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments but not the measurement basis of segment result nor segment assets. The segment results reported for the prior period have been restated to conform with the requirements of HKFRS 8 and the change in the Group's reportable segments.

For the six months ended 30th June, 2009

	Timber US\$'000	Food processing and distribution US\$'000	Consolidated US\$'000
TURNOVER			
External sales	6,323	16,688	23,011
SEGMENT RESULT	(642)	228	(414)
Unallocated corporate income			54
Unallocated corporate expenses			(809)
Change in fair value of derivative financial instruments and warrants			2,705
Finance costs			(3,784)
Loss before taxation			(2,248)
Taxation			(35)
Loss for the period			(2,283)

3. Segment Information (Continued)

For the six months ended 30th June, 2008

Timber and Consolidated

US\$'000

TURNOVER

External sales	10,664
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SEGMENT RESULT

Unallocated corporate income	(4,901)
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Unallocated corporate expenses	71
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Gain on disposal of a subsidiary	(989)
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Change in fair value of derivative	1,051
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financial instruments and warrants	3,613
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Finance costs	(572)
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Loss before taxation	(1,727)
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Taxation	–
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Loss for the period	(1,727)
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4. Taxation

	Six months ended 30th June,	
	2009	2008
	US\$'000	US\$'000
The charge comprises:		
People's Republic of China (the "PRC")		
Enterprise Income Tax	48	–
Deferred tax credit	(62)	–
Withholding tax on distributed profit	49	–
	35	–
	35	–

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.

5. Loss for the period

	Six months ended 30th June,	
	2009	2008
	US\$'000	US\$'000
Loss for the period has been arrived at after charging:		
Allowance for bad and doubtful debts	–	590
Amortisation of prepaid lease payments	26	32
Amortisation of intangible assets	265	–
Depreciation of property, plant and equipment	1,639	1,651
Loss on disposal of property, plant and equipment	–	47
Write-down of inventories (included in cost of sales) (Note)	–	744
Imputed interest on convertible notes	2,950	202
and after crediting:		
Interest income	54	28
	54	28

Note: The directors compared the carrying amounts of the Group's inventories at 30th June, 2008 with their estimated net realisable value, as a result, a write-down of inventories totalling US\$744,000 (six months ended 30th June, 2009: nil) was charged to the condensed consolidated statement of comprehensive income.

6. Loss per share

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 30th June,	
	2009	2008
	US\$'000	<i>US\$'000</i>
Loss:		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(2,024)	(199)
Effect of dilutive potential ordinary shares:		
– Interest on convertible notes	1,201	202
– Change in fair value of embedded conversion option and early redemption option	(2,797)	(3,976)
– Exchange realignment of convertible notes	(1)	(2)
Loss for the purpose of diluted loss per share	(3,621)	(3,975)
	2009	2008
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	12,954,619,755	9,197,779,755
Effect of dilutive potential ordinary shares in respect of convertible notes	1,871,066,977	390,869,159
Weighted average number of ordinary shares for the purpose of diluted loss per share	14,825,686,732	9,588,648,914

The computation of diluted loss per share for the six months ended 30th June, 2009 and 30th June, 2008 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 the periods. In addition, it does not assume the exercise of the Company's outstanding warrants and certain convertible notes since their exercise would result in a decrease in the loss per share.

7. Property, Plant and Equipment

During the six months ended 30th June, 2009, the Group spent approximately US\$1,198,000 (six months ended 30th June, 2008: US\$461,000) on acquisitions of property, plant and equipment.

During the six months ended 30th June, 2008, the directors of the Company conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired. Due to the sustained losses in the cash generating unit ("CGU") of timber business, an impairment loss of US\$3,143,000 was recognised during the six months ended 30th June, 2008, based on the recoverable amounts of plant and machinery of the CGU, which were determined on the basis of their value in use. The carrying amounts of the plant and machinery were reduced to the respective recoverable amounts. The discount rate in measuring the amounts of value in use was 20.86% in relation to plant and machinery.

During the six months ended 30th June, 2009, the directors of the Company have also conducted review of the Group's property, plant and equipment for impairment based on their value in use and considered that as further impairment is necessary.

8. Goodwill

	<i>US\$'000</i>
CARRYING VALUE	
Arising on acquisition of subsidiaries	21,340
Impairment loss recognised	(21,340)
	<hr/>
At 31st December, 2008 and 30th June, 2009	—
	<hr/> <hr/>

During the year ended 31st December, 2008, the Group acquired 100% of the issued share capital of a company, the subsidiaries of which are engaged in the processing and distribution of frozen seafood products business. The goodwill was attributable to the CGU of food processing and distribution segment.

At 31st December, 2008, the directors of the Company had conducted a review of the carrying value of goodwill. As a result of the significant downturn in the global economy after the completion of the acquisition, the actual results of the CGU did not meet the management's expectations and the recoverable amount of this CGU is determined to be approximately US\$21 million lower than the carrying amount of the CGU. As a result, the goodwill arising from the acquisition was identified to be fully impaired and the corresponding impairment loss was recognised.

9. Interests in Associates

US\$'000

Cost of unlisted investments	2,000
Share of reserves	463
Share of post-acquisition losses	(2,463)

At 31st December, 2008 and 30th June, 2009

—

Particulars of the Group's associates at 30th June, 2009 and 31st December, 2008 are as follows:

Name of associate	Place of registration/ operation	Percentage of issued share capital/registered capital held by the Group		Issued share capital/ registered capital	Principal activities
		2009	2008		
瀋陽福陽人造板有限公司 Shenyang Fuyang Wood-Basal Panel Ltd. (Note)	PRC	40.0%	40.0%	US\$5,000,000	Inactive since 2007
天津福津木業有限公司 Tianjin Fortune Timber Co., Ltd. (Note)	PRC	49.5%	49.5%	US\$17,453,021	Inactive since 2007

Note: Such companies are Sino-foreign equity joint ventures.

10. Other Investments

The investments classified as available-for-sale investments as at 30th June, 2009 and 31st December, 2008 comprise:

	<i>US\$'000</i>
Equity securities	
Costs of investment	1,142
Less: Impairment loss recognised	(1,142)
	<hr/>
At 31st December, 2008 and 30th June, 2009	–
	<hr/> <hr/>

The balance represents investments in unlisted equity securities issued by private entities incorporated in the PRC. It is measured at cost less impairment at each reporting date because the directors of the Company are of the opinion that its fair value cannot be measured reliably as there is no active market information available.

11. Club Debenture

	<i>US\$'000</i>
Cost	37
Less: Impairment loss recognised	(37)
	<hr/>
At 31st December, 2008 and 30th June, 2009	–
	<hr/> <hr/>

The fair value of the Group's club debenture as at 30th June, 2009 and 31st December, 2008 was nil. The valuation was determined by reference to recent market prices for similar debentures.

12. 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 reporting date:

	30.6.2009 <i>US\$'000</i>	31.12.2008 <i>US\$'000</i>
Trade receivables, aged		
0-90 days	6,425	11,480
91-180 days	2,114	2,141
More than 180 days	196	–
	8,735	13,621
Other receivables	2,566	4,642
	11,301	18,263

13. Trade and Other Payables

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

	30.6.2009 <i>US\$'000</i>	31.12.2008 <i>US\$'000</i>
Trade payables, aged		
0-90 days	2,615	3,559
91-180 days	–	19
More than 180 days	1,558	1,422
	4,173	5,000
Amounts payable to minority shareholders of subsidiaries	1,674	1,415
Other payables	9,193	7,755
	15,040	14,170

14. Amounts due from (to) Associates/A Related Party/Directors of Subsidiaries

The amounts due from (to) associates, a related party and directors of subsidiaries are unsecured, interest-free and repayable on demand.

15. Warrants

On 28th January, 2008, the Company issued 1,500,000,000 unlisted warrants at price of HK\$0.001 per warrant to six placees, all being independent third parties to the Group and each warrant entitles its holder to subscribe for one ordinary share of US\$0.001 each of the Company ("Subscription Share") at the initial subscription price of HK\$0.074 per Subscription Share at any time during the period of 30 months commencing from the date of issue of the warrants. The proceed from the issue amounts to HK\$1,500,000 (equivalent to US\$192,000) was received at date of issue. At 30th June, 2009 and 31st December, 2008, the fair value of the warrants was determined using the Black-Scholes Option Pricing Model and the inputs into the model were as follows:

	30.6.2009	31.12.2008
Exercise price	HK\$0.074	HK\$0.074
Share price	HK\$0.026	HK\$0.016
Expected volatility	58.87%	53.17%
Remaining life	1.05 years	1.5 years
Risk free rate	0.130%	0.388 %

The total fair value of the warrants is approximately US\$85,000 at 30th June, 2009 (31st December, 2008: US\$15,000), representing a loss on change in fair value of US\$70,000 (six months ended 30th June, 2008: US\$363,000) and recognised in the condensed consolidated statement of comprehensive income.

16. Convertible Notes

(i) April Convertible Note

On 9th April, 2008, the Company issued a 6% convertible note at par with principal amount of US\$3,700,000 to Sun Boom Limited (“Sun Boom”), an independent third party to the Group (“April Convertible Note”) with coupon interest payable semi-annually. The April Convertible Note is denominated in United States dollars with a conversion period of 24 months from the issue date and can be converted into ordinary shares of the Company at HK\$0.086 per share, subject to the usual anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issues. The April Convertible Note matures on 8th April, 2010 and can be redeemed at par at the option of the holder at anytime before the maturity date.

The April Convertible Note contains three components, the liability component, conversion option derivatives and early redemption option. The directors consider that the fair value of this early redemption option by the Company is insignificant. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss. As the holder of the convertible note can require the Company to redeem the note at any time before maturity, therefore it is classified as current liabilities.

The fair value of the liability component was calculated as the present value of the coupon interest payments and the redemption amount. The discount rate used in the calculation is 22.6% which represents the cost of debt applicable to the Group at the issue date. The embedded conversion option represents the fair value of the noteholder’s option to convert the April Convertible Note into equity of the Company, but the conversion 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 fair value of the embedded conversion option was determined using Black-Scholes Option Pricing Model and the inputs into the model at each respective date were as follows:

	30.6.2009	31.12.2008
Conversion price	HK\$0.086	HK\$0.086
Share price	HK\$0.026	HK\$0.016
Expected volatility	58.60%	56.13%
Remaining life	0.77 year	1.27 years
Risk-free rate	0.080%	0.388%

16. Convertible Notes *(Continued)*

- (ii) Pursuant to a sale and purchase agreement ("SPA") dated 22nd February, 2008, a supplemental deed dated 27th February, 2008 and a second supplemental agreement date 30th April, 2008 entered between the Company and Sun Boom, to purchase 20% of the issued share capital of Prowealth Holdings Group Limited ("Prowealth") at a consideration of HK\$121,000,000 (equivalent to US\$15,513,000) satisfied by issue of convertible note (see below). Prowealth is an investment holding company and its subsidiaries are engaged in food processing and distribution business in Hong Kong and the PRC. Prowealth has become a subsidiary of the Company in 2008 (See (iii) below).

May SPA Convertible Note

On 30th May, 2008, the Company issued a 6% convertible note with principal amount of HK\$121,000,000 (equivalent to US\$15,513,000) with coupon interest payable semi-annually to Sun Boom for acquisition of 20% equity interest in Prowealth ("May SPA Convertible Note"). The May SPA Convertible Note is denominated in Hong Kong dollars with a conversion period of 24 months from the issue date and can be converted into ordinary shares of the Company at HK\$0.086 per share, subject to the usual anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issues. The May SPA Convertible Note matures on 29th May, 2010 and can be redeemed at par at the option of the holder at anytime before the maturity date.

The May SPA Convertible Note contains three components, the liability component, conversion option derivatives and early redemption option. The directors consider that the fair value of this early redemption option by the Company is insignificant. The effective interest rate of the liability component is 20.9%. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss. As the holder of the convertible note can require the Company to redeem the note at any time before maturity, therefore it is classified as current liabilities.

16. Convertible Notes (Continued)

May SPA Convertible Note (Continued)

The fair value of the liability component was calculated as the present value of the coupon interest payments and the redemption amount. The discount rate used in the calculation is 20.9% represents the cost of debt applicable to the Group at the issue date. The embedded conversion option represents the fair value of the noteholder's option to convert the May SPA Convertible Note into equity of the Company, but the conversion 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 fair value of the embedded conversion option was determined using Black-Scholes Option Pricing Model and the inputs into the model at each respective date were as follows:

	30.6.2009	31.12.2008
Conversion price	HK\$0.086	HK\$0.086
Share price	HK\$0.026	HK\$0.016
Expected volatility	58.60%	55.51%
Remaining life	0.91 year	1.41 years
Risk-free rate	0.130%	0.388%

- (iii) Pursuant to a sales and purchase agreement (the "Agreement") between the Company, Sun Boom and Wise Virtue Holdings Limited ("Wise Virtue") to purchase the remaining 80% issued share capital of Prowealth at a consideration of HK\$484,000,000 (equivalent to US\$62,347,000) satisfied by the issue of 3,756,840,000 ordinary shares of the Company at HK\$0.086 per share ("Consideration Shares"), issue of HK\$80,646,500 (equivalent to US\$10,389,000) convertible note to Sun Boom ("Sun Boom Convertible Note") and HK\$80,265,260 (equivalent to US\$10,339,000) convertible note to Wise Virtue ("Wise Virtue Convertible Note"). The Consideration Shares were subsequently issued on 17th October, 2008 at market price of HK\$0.019 per share and the fair value of the Consideration Shares amounted to HK\$71,380,000 or US\$9,195,000. Upon completion of the terms and condition as set out in the Agreement, on 17th October, 2008, the Group has acquired 100% of the issued share capital of Prowealth and has become a subsidiary of the Company. The directors consider these transactions together were a series of linked transactions to acquire 100% interest in Prowealth.

16. Convertible Notes (Continued)

Sun Boom Convertible Note

On 17th October, 2008, the Company issued the Sun Boom Convertible Note with principal amount of HK\$80,646,500 (equivalent to US\$10,389,000) which bears coupon interest at 6% per annum payable semi-annually. The Sun Boom Convertible Note is denominated in Hong Kong dollars with a conversion period of 60 months from the issue date and can be converted into ordinary shares of the Company at HK\$0.086 per share, subject to the usual anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issues. The Sun Boom Convertible Note matures on 16th October, 2013 and can be redeemed at par at the option of the holder at anytime before the maturity date.

The Sun Boom Convertible Note contains three components, the liability component, conversion option derivatives and early redemption option. The effective interest rate of the liability component is 21.4%. The conversion option derivative and early redemption option are measured at fair value with changes in fair value recognised in profit or loss. As the holder of the convertible note can require the Company to redeem the note at any time before maturity, therefore it is classified as current liabilities.

The fair value of the liability component was calculated as the present value of the coupon interest payments and the redemption amount. The discount rate used in the calculation is 21.4% represents the cost of debt applicable to the Group at the issue date. The embedded conversion option represents the fair value of the noteholder's option to convert the Sun Boom Convertible Note into equity of the Company, but the conversion 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 fair value of the embedded conversion option and the holder'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 each respective date were as follows:

	30.6.2009	31.12.2008
Conversion price	HK\$0.086	HK\$0.086
Share price	HK\$0.026	HK\$0.016
Expected volatility	48.93%	47.60%
Remaining life	4.3 years	4.8 years
Risk-free rate	1.945%	1.194%

16. Convertible Notes (Continued)

Wise Virtue Convertible Note

On 17th October, 2008, the Company issued the Wise Virtue Convertible Note with principal amount of HK\$80,265,260 (equivalent to US\$10,339,000) which bears coupon interest at 6% per annum payable semi-annually. The Wise Virtue Convertible Note is denominated in Hong Kong dollars with a conversion period of 60 months from the issue date and can be converted into ordinary shares of the Company at HK\$0.086 per share, subject to the usual anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issues. The Wise Virtue Convertible Note matures on 16th October, 2013 and can be redeemed at par at the option of the holder at the maturity date.

The Wise Virtue Convertible Note contains three components, the liability component, conversion option derivatives and early redemption option. The effective interest rate of the liability component is 21.4%. The conversion option derivative and early redemption option are measured at fair value with changes in fair value recognised in profit or loss. As the holder of the convertible note can require the Company to redeem the note at any time before maturity, therefore it is classified as current liabilities.

The fair value of the liability component was calculated as the present value of the coupon interest payments and the redemption amount. The discount rate used in the calculation is 21.4% represents the cost of debt applicable to the Group at the issue date. The embedded conversion option represents the fair value of the noteholder's option to convert the May SPA Convertible Note into equity of the Company, but the conversion 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 fair value of the embedded conversion option and the holder'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 each respective date were as follows:

	30.6.2009	31.12.2008
Conversion price	HK\$0.086	HK\$0.086
Share price	HK\$0.026	HK\$0.016
Expected volatility	48.93%	47.06%
Remaining life	4.3 years	4.8 years
Risk-free rate	1.945%	1.194%

16. Convertible Notes (Continued)

The movements of the components of the April Convertible Note, May SPA Convertible Note, Sun Boom Convertible Note and Wise Virtue Convertible Note during the period is set out below:

	Liability component <i>US\$'000</i>	Embedded conversion option <i>US\$'000</i>	Early redemption option <i>US\$'000</i>	Total <i>US\$'000</i>
At 1st January, 2009	27,597	219	11,238	39,054
Interest charged	1,748	-	-	1,748
Change in fair value	-	517	(3,292)	(2,775)
Exchange realignment	(3)	-	(1)	(4)
At 30th June, 2009	<u>29,342</u>	<u>736</u>	<u>7,945</u>	<u>38,023</u>

17. Bank and Other Borrowings

During the six months ended 30th June, 2009, the Group repaid bank loans totalling US\$2,926,000 (six months ended 30th June, 2008: US\$99,000) and no new bank loans were obtained during both periods. All borrowings bear interest at prevailing market rates and are repayable within five years.

18. Share Capital

	Number of shares	Amount <i>US\$'000</i>
Ordinary shares of US\$0.001 each		
Authorised:		
At 1st January, 2009 and 30th June, 2009	100,000,000,000	100,000
Issued and fully paid:		
At 1st January, 2009 and 30th June, 2009	12,954,619,755	12,954

19. Acquisition of a Subsidiary

On 5th June, 2008, the Group acquired certain assets through acquisition of 100% equity interest in Maoming Jiaxing Foods Co., Limited from an independent third party, for a consideration of RMB4,800,000 (equivalent to US\$700,000).

The net assets acquired in the transaction are as follows:

	Fair value
	<i>US\$'000</i>
Net assets acquired	
Property, plant and equipment	20
Prepaid lease payment	665
Other receivables	15
	<hr/>
	700
	<hr/> <hr/>

20. Disposal of a Subsidiary

On 5th June, 2008, the Group disposed of its entire interest in Jilin Province Fuchun Timber Co., Ltd. ("Jilin Fuchun"), a 55% subsidiary of the Group, to the PRC minority shareholder at a consideration of RMB1,000,000 (equivalent to US\$145,000), giving rise to a gain on disposal of US\$1,051,000 which was arrived at after accounting for the net surplus of exchange translation reserve of US\$234,000 released on disposal.

20. Disposal of a Subsidiary (Continued)

The net liabilities of Jilin Fuchun at the date of disposal were as follows:

	<i>US\$'000</i>
Net liabilities disposed of:	
Inventories	538
Other receivables	15
Bank balances and cash	50
Trade and other payables	(1,496)
Bank borrowings	(305)
	<u>(1,198)</u>
Minority interest	526
	<u>(672)</u>
Gain on disposal	1,051
Release of exchange translation reserve upon disposal	(234)
	<u>145</u>
Total cash consideration	<u><u>145</u></u>
Net cash inflow arising on disposal:	
Cash consideration received	145
Cash and cash equivalents disposed of	(50)
	<u>95</u>
	<u><u>95</u></u>

21. Leasing Arrangements

The Group as lessee

At the reporting 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:

	30.6.2009 <i>US\$'000</i>	31.12.2008 <i>US\$'000</i>
Within one year	175	188
In the second to fifth year inclusive	45	47
	<u>220</u>	<u>235</u>
	<u><u>220</u></u>	<u><u>235</u></u>

22. Pledge of Assets

At 30th June, 2009, the Group had pledged certain properties and plant and equipment with an aggregate carrying amount of US\$9,613,000 (31st December, 2008: US\$11,284,000) to various banks to secure the bank loans and general banking facilities granted to the Group.

23. Related Party Transactions

During the six months ended 30th June, 2008, the Group received management service fee income of US\$35,000 (six-months ended 30th June, 2009: nil) from a company controlled by a director of the Company, Mr. Zhang.

The key management personnel of the Group are the directors of the Company. During the six months ended 30th June, 2009, no remuneration (six months ended 30th June, 2008: nil) were paid to the directors of the Company.

24. Post Balance Sheet Event

On 6th August, 2009, the Company proposed to issue convertible redeemable notes ("Fulbond Convertible Notes") with a maximum aggregate principal amount of HK\$800,000,000 to be due on the date falling upon the expiry of three years from the date on which Fulbond Convertible Notes are first issued.

The Fulbond Convertible Notes will carry a right to convert into shares with a maximum of 80,000,000,000 new shares of the Company if full exercise of the convertible right attached at the conversion price of, subject to adjustment, HK\$0.01 per conversion share. The management intends to redeem the existing convertible notes issued by the Company and to strengthen the cash position for the Group.

Up to the report date, the proposed placing has not been approved by the shareholders of the Company.