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Fulbond Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 1041)

DISCLOSEABLE AND CONNECTED TRANSACTION

Jilin Fuchun, an indirect 55% owned subsidiary of the Company, entered into the Settlement Agreement with Jilin Forest on 19th December 2007 whereby Jilin Fuchun agreed to transfer the Assets to Jilin Forest in order to settle the Debt.

The Settlement Agreement constitutes a discloseable and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules. Since each of the relevant percentage ratio is more than 2.5% but less than 25% and the total consideration is less than HK\$10,000,000, the Settlement Agreement is subject to the reporting and announcement requirements but is exempted from the independent Shareholders' approval requirements under the Listing Rules. A circular containing details of the Settlement Agreement and other information will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

BACKGROUND

On 6th December 2005, Jilin Forest had entered into a guarantee agreement with an independent third party whereby Jilin Forest agreed to guarantee in favour of Jilin Fuchun a loan amount of RMB10,000,000 with accrued interests, being the same amount of the obligations of Jilin Fuchun under a loan agreement entered into between Jilin Fuchun and the independent third party on the same date ("Previous Loan Agreement"). Since Jilin Fuchun had financial difficulties and was unable to repay the loan under the Previous Loan Agreement, Jilin Forest had settled the loan with accrued interests for and on behalf of Jilin Fuchun on 13th July 2007. The outstanding loan amount with accrued interests due to Jilin Forest from Jilin Fuchun is RMB9,200,000 (the "Debt"). On 19th December 2007, Jilin Fuchun entered into the Settlement Agreement with Jilin Forest, pursuant to which Jilin Fuchun agreed to transfer the Assets (as defined below) to Jilin Forest as consideration in order to settle the Debt.

SETTLEMENT AGREEMENT

Date: 19th December 2007

Parties: Jilin Fuchun, an indirect 55% owned subsidiary of the Company

Jilin Forest, a PRC holding company which indirectly owns 45% of Jilin Fuchun, is a Connected Person of the Company

Assets to be transferred of:

Pursuant to the Settlement Agreement, Jilin Fuchun has agreed to transfer certain lands and buildings (the “Properties”) and machineries and equipments (the “Equipments”) of Jilin Fuchun (together, the “Assets”) to Jilin Forest. The Properties comprise 3 parcels of lands with total land area of approximately 24,800 square metres and 18 blocks of buildings located at Yumin Road, Erdao District, Changchun, Jilin Province, the PRC with total gross floor area of approximately 9,777 square metres. The Equipments which comprise of hydraulic presses, trimming and dividing saw, planning machines, drilling machines, steam pumps, gluing machines, drying kilns, boilers and supported with other ancillary equipment are located in the production facilities at Nos. 4, 5 & 18 Yumin Road, Erdao District, Changchun, Jilin Province, the PRC. All Equipments are used for the production of wooden boards and all Properties are occupied by Jilin Fuchun as wooden board production plants.

Pursuant to a valuation report prepared by an independent professional valuer (which to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, is not a Connected Person of the Company and is independent of the Company), the market value of the Properties in existing state and the fair market value of the Equipments in continued use as at 30th November 2007 are RMB2,100,000 (approximately HK\$2,226,000) and RMB2,840,000 (approximately HK\$3,010,400) respectively. The independent professional valuer adopted the cost method to value the Properties and adopted the depreciated replacement cost approach to value the Equipments.

Consideration:

The transfer of Assets was made for nil cash consideration. Pursuant to the Settlement Agreement, Jilin Forest agreed to accept the Assets as full and final settlement of the Debt owed by Jilin Fuchun. Jilin Forest undertakes that it shall not have any claim against Jilin Fuchun under the Settlement Agreement after the Assets have been transferred to Jilin Forest.

The terms of the Settlement Agreement were determined by the parties thereto with reference to the financial situation of Jilin Fuchun. According to the unaudited book records of Jilin Fuchun, the net book values of the Properties and the Equipments were RMB306,148 (approximately HK\$324,517) and RMB2,891,157 (approximately HK\$3,064,626) respectively as at 31st October 2007. Therefore, the total net book value of the Assets of Jilin Fuchun to be transferred was RMB3,197,305 (approximately HK\$3,389,143) as at 31st October 2007. As a result of the Settlement Agreement, the Company will have an estimated gain of RMB6,002,695 (approximately HK\$6,362,857), calculated as the difference between the amount of Debt of RMB9,200,000 and the aggregate of the book values of the Assets as at 31st October 2007 of RMB3,197,305 (approximately HK\$3,389,143).

REASONS FOR THE TRANSFER

Jilin Fuchun has been undergoing a very difficult operating environment in the past few years with an increase in operating and overhead costs coupled with strong competition in the timber industry. In view of the sharp increase in raw materials and energy costs in recent years and the continuous appreciation of RMB, the operating and production costs of the manufacturing bases in the PRC have been increasing.

Jilin Fuchun did not have sufficient cashflow to settle the Debt owed to Jilin Forest. Therefore, the directors of Jilin Fuchun decided that it is more practical for Jilin Fuchun to transfer the Assets to Jilin Forest in order to settle the Debt. The transfer of the Assets by Jilin Fuchun will not have any material adverse impact to the Group since Jilin Fuchun has ceased production since July 2007. Upon cessation of the production, the remaining business of Jilin Fuchun is the sale of finished wooden products and the remaining business of the Group is the manufacturing and sale of wooden products. The Directors (including the independent non-executive Directors) consider that the transfer of the Assets is beneficial to the Company and the Shareholders as a whole and the terms and conditions of the Settlement Agreement are fair and reasonable so far as the Shareholders are concerned.

FINANCIAL INFORMATION OF JILIN FUCHUN

Based on the audited financial information prepared in accordance with generally accepted accounting principles in Hong Kong, the turnover and net profit/(loss) after taxation attributable to the Assets for the two financial years preceding the transfer of the Assets are set out as follows:

	Year ended 31st December 2005 <i>RMB</i> (approximate)	Year ended 31st December 2006 <i>RMB</i> (approximate)
Turnover	46,333,000	33,946,000
Net profit/(loss) after taxation	1,095,000	(3,905,000)

INFORMATION OF THE PARTIES

The Group is principally engaged in the manufacturing and sale of wooden products.

Jilin Fuchun, an indirect 55% owned subsidiary of the Company, is a joint venture company incorporated in the PRC and its principal business activities are the manufacturing and sale of wooden products.

Jilin Forest, a PRC holding company which indirectly owns 45% equity interests in Jilin Fuchun, is a Connected Person of the Company. The principal business activities of Jilin Forest are consortium of timber business, mainly forest processing, plantation, manufacturing of timber products, machineries and others.

GENERAL

The Settlement Agreement constitutes a discloseable and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules. Since each of the relevant percentage ratio is more than 2.5% but less than 25% and the total consideration is less than HK\$10,000,000, the Settlement Agreement is subject to the reporting and announcement requirements but is exempted from the independent Shareholders' approval requirements under the Listing Rules. A circular containing details of the Settlement Agreement and other information will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Board”	the board of directors of the Company
“Company”	Fulbond Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Connected Person”	as defined under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Jilin Fuchun”	吉林省福春木業有限公司 (Jilin Province Fuchun Timber Co., Ltd.*), a sino-foreign equity joint venture established in the PRC
“Jilin Forest”	中國吉林森林工業集團有限責任公司 (Jilin Forest Industrial Group Limited*), a company incorporated in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (which, for the purpose of this announcement, excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Settlement Agreement”	the settlement agreement dated 19th December 2007 entered into between Jilin Fuchun and Jilin Forest regarding the settlement arrangement for the Debt owed by Jilin Fuchun to Jilin Forest
“Share(s)”	share(s) of US\$0.001 each in the capital of the Company
“Shareholder(s)”	holder of the Share(s)

* For identification only

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent.

For the purpose of this announcement, the translation of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.06.

By Order of the Board
FULBOND HOLDINGS LIMITED
Zhang Xi
Chairman

Hong Kong, 2nd January 2008

As at the date of this announcement, the Board comprises Mr. Zhang Xi, Ms. Zhang Huafang, Mr. Cai Duanhong and Ms. Catherine Chen as executive Directors and Mr. Hong Po Kui, Martin, Mr. Yam Tak Fai, Ronald and Mr. Wong Man Hin, Raymond as independent non-executive Directors.