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Fulbond Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1041)

PROPOSED PLACING OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE

Placing agent



KINGSTON SECURITIES LIMITED

PLACING OF FULBOND CONVERTIBLE NOTES

On 6 August 2009, the Company entered into the Placing Agreement with the Placing Agent whereby the Placing Agent has conditionally agreed to place, on a best efforts basis, the Fulbond Convertible Notes to not less than six Places.

The Fulbond Convertible Notes will carry a right to convert into Conversion Shares at the conversion price of, subject to adjustment, HK\$0.01 per Conversion Share.

No application will be made for listing of the Fulbond Convertible Notes. The Conversion Shares issuable on conversion of the Fulbond Convertible Notes will be, if approved by the Shareholders at the SGM, allotted and issued under the Specific Mandate. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares.

GENERAL

A circular containing, among others, further details of the Placing Agreement and the transactions contemplated thereunder, together with a notice of the SGM will be despatched to the Shareholders as soon as practicable.

Shareholders and potential investors should note that the Placing is subject to conditions to be fulfilled. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

PLACING OF FULBOND CONVERTIBLE NOTES

Date of Placing Agreement

6 August 2009

Parties

The Company and Placing Agent

Placing Agent

The Placing Agent has conditionally agreed to act as the agent of the Company to place, on a best efforts basis, the Fulbond Convertible Notes which are proposed to be issued in a maximum aggregate principal amount of HK\$800,000,000. The Placing Agent will receive a placing commission of 2.0% of the amount equal to the aggregate principal amount of the Fulbond Convertible Notes actually placed by the Placing Agent to selected Placees in the relevant tranche of the Placing, which was arrived at after arm's length negotiations between the Company and the Placing Agent.

The Board (other than the Dissenting Director who is a director of Sun Boom, the holder of Sun Boom Convertible Notes, and who abstained from voting in respect of the Placing by reason of his capacity as a director of Sun Boom) is of the view that the terms of the Placing and the Placing Agreement (including but not limited to the placing commission) are fair and reasonable, on normal commercial terms and in the interest of the Company and its shareholders as a whole.

Placees

The Placing Agent will place the Fulbond Convertible Notes to not less than six independent Placees (who will be independent professional, institutional or other investors), each of whom (i) will not be a connected person of the Company; and (ii) will be an Independent Third Party.

Conditions of the Placing

The Placing is conditional upon:

- (a) the Stock Exchange granting or agreeing to grant the listing of and permission to deal in the relevant Conversion Shares under the relevant tranche of the Placing;
- (b) the granting of approval by the Shareholders on the Placing Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Fulbond Convertible Notes and the allotment and issue of the Conversion Shares) at the SGM; and
- (c) (if so required by the laws of Bermuda) the approval of the Bermuda Monetary Authority for the issue of the Fulbond Convertible Notes and the Conversion Shares issuable on conversion of the Fulbond Convertible Notes has been obtained.

If the conditions are not fulfilled on or before the Long Stop Date, the Placing Agreement shall terminate and neither the Company nor the Placing Agent shall have any claim against the other for any costs or losses (save for any prior breaches of the Placing Agreement). The Placing Agent shall provide to the Company all information concerning itself and the Placees as the Stock Exchange may reasonably require.

Undertaking by the Placing Agent

The Placing Agent undertakes with the Company that it shall procure and shall procure sub-placing agents to procure independent Placees to subscribe for the Fulbond Convertible Notes which upon full conversion will enable the Company to maintain and/or meet the public float requirements under Rule 8.08 of the Listing Rules immediately after completion of the relevant tranche of the Placing.

Termination and force majeure for the Placing

The Placing Agreement may be terminated by the Placing Agent, if, at any time prior to 10:00 a.m. on the relevant date of completion of the Placing, in the reasonable opinion of the Placing Agent, the success of the Placing or the business or financial prospects of the Group would or might be adversely affected by:

- (a) any material breach of any of the representations and warranties set out in the Placing Agreement; or
- (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the Placing Agreement or circulars relating to the placing of the Fulbond Convertible Notes and in the ancillary agreements thereto; or
- (c) any of the following events:
 - (i) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which would, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the placing of the Fulbond Convertible Notes by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the

Placing Agent to proceed with the placing of Fulbond Convertible Notes; or

- (iii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) which would materially and adversely affect the success of the placing of the Fulbond Convertible Notes (such success being the placing of the Fulbond Convertible Notes to potential investor(s)) or otherwise in the reasonable opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the placing of the Fulbond Convertible Notes

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 10:00 a.m. on the relevant completion date of the Placing and provided further that such termination shall not affect any partial completion of the Fulbond Convertible Notes that have taken place prior to such date of termination.

Completion of the Placing

Completion of the Placing Agreement shall take place within four Business Days following the date on which the conditions of the Placing Agreement are fulfilled or in such other date as the Company and the Placing Agent shall agree.

The Placing can be completed partially by a maximum of 8 tranches provided that the aggregate principal amount of the Fulbond Convertible Notes to be issued by the Company for each partial completion shall not be less than HK\$100,000,000 and in integral multiple of HK\$5,000,000 (save for the last tranche of the Placing where the aggregate principal amount of the Fulbond Convertible Notes to be issued by the Company may be less than HK\$100,000,000, as the case may be). The Company will issue an announcement upon each partial completion of the Placing. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the relevant Conversion Shares once the Placing Agent confirms to the Company that the aggregate principal amount of the Fulbond Convertible Notes to be subscribed by the Placees procured by the Placing Agent has reached HK\$100,000,000 and that partial completion of the Placing can take place.

The Fulbond Convertible Notes

The terms of the Fulbond Convertible Notes have been negotiated on arm's length basis and the principal terms of which are summarized below:

Principal amount

A maximum aggregate of HK\$800,000,000.

Interest

The Fulbond Convertible Notes will be non-interest bearing.

Maturity date

The Fulbond Convertible Notes shall mature on the date falling upon the expiry of three years from the date on which the Fulbond Convertible Notes is first issued or if such date is not a Business Day, the immediate preceding Business Day.

Denomination

HK\$1,000,000 each

Conversion price

The conversion price, subject to the adjustment, shall be HK\$0.01 per Conversion Share. The conversion price of the Fulbond Convertible Notes was arrived at after arm's length negotiations between the Company and the Placing Agent and with reference to the market price of the Shares and the net asset value of the Company. The conversion prices of the Fulbond Convertible Notes may be adjusted upon occurrence of adjustment events, which include consolidation or sub-division of Shares, capitalisation of profits or reserves, capital distributions in cash or specie, rights issues or subsequent issue of securities in the Company, and will in any event not be adjusted below the par value of the Share. In addition, every adjustment to the conversion price shall be certified (at the option of the Company) either by the auditors of the Company for the time being or by an approved merchant bank.

The conversion price of HK\$0.01 per Share represents (i) a discount of approximately 74.36% to the closing price of HK\$0.039 per Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a discount of approximately 75.00% to the average of the closing price per Share of approximately HK\$0.040 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date; and (iii) a discount of approximately 74.36% to the average of the closing price per Share of HK\$0.039 as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date.

Conversion

Each holder may convert the whole or part of the principal amount of the relevant Fulbond Convertible Notes (in multiple of HK\$500,000 at any one time of conversion) into new Shares unless the principal amount of the outstanding Fulbond Convertible Notes are less than HK\$500,000 in which case the whole (but not part only) of such outstanding principal amount of the Fulbond Convertible Notes shall be converted.

No conversion shall be made by the Noteholder unless the Noteholder provides, to the reasonable satisfaction of the Company, evidence that such Noteholder and its parties acting in concert (as defined under The Codes on Takeovers and Mergers and Share Repurchases) will not be beneficially interested in 30% or more of the then issued share capital and/or the voting rights of the Company immediately upon conversion.

Assuming there is an immediate exercise in full of the conversion rights attaching to the Fulbond Convertible Notes in the aggregate of HK\$800,000,000 at the conversion price of HK\$0.01 per Share by all holders of the Fulbond Convertible Notes, the Company will issue an aggregate of 80,000,000,000 new Shares, representing approximately 617.54% of the existing issued share capital of the Company and approximately 86.06% of the enlarged issued share capital of the Company as enlarged by the issue of the Conversion Shares.

Ranking

The Conversion Shares will rank pari passu in all respects with all existing Shares in issue at the date of the conversion notice.

Redemption by the Company

The Company shall, at any time before the Maturity Date, have the option to redeem the Fulbond Convertible Notes in whole or in part by giving not less than 7 clear Business Days' prior notice. The amount payable for any redemption shall be the relevant amount of the principal amount of the Fulbond Convertible Notes so redeemed.

Status of the Fulbond Convertible Notes

The Fulbond Convertible Notes constitute a direct, general, unconditional and unsecured obligation of the Company and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes and certain other mandatory provisions of applicable law exceptions) equally with all other present and/or future unsecured and unsubordinated obligations of the Company. The holders of the Fulbond Convertible Notes shall not be entitled to receive dividend of the Company.

Transferability

The Fulbond Convertible Notes may not be assigned or transferred to a connected person of the Company. The Company will notify the Stock Exchange should it become aware of the Fulbond Convertible Notes have been assigned or transferred to a connected person of the Company.

Voting Rights

The Fulbond Convertible Notes do not confer any voting rights at any meetings of the Company.

Listing

No application will be made for the listing of the Fulbond Convertible Notes. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares in the manner as set out above.

Specific Mandate

The Conversion Shares to be issued pursuant to conversion of the Fulbond Convertible Notes will be, if approved by the Shareholders at the SGM, allotted and issued under the Specific Mandate.

REASONS FOR AND BENEFIT OF THE PLACING AND USE OF PROCEEDS

The gross proceeds and the net proceeds from the Placing will be approximately HK\$800,000,000 and HK\$782,000,000 respectively. The Board intends to reserve (i) up to HK\$150,000,000 to redeem existing convertible notes of the Company in due course so as to reduce the liability of the Company and (ii) the remaining balance of HK\$632,000,000 to strengthen the cash position of the Company and to provide funding for the business operations and development of the Company.

The Board (other than the Dissenting Director for the reason as mentioned above) considers that the Placing is conducted in the best interest of the Company in view of the prevailing market conditions and that the recent market sentiment represents a good timing for the Placing. The Board (other than the Dissenting Director for the reason as mentioned above) also considered that the issue of the Fulbond Convertible Notes is an appropriate means of raising additional capital for the Company since it will provide the Company with immediate funding. In addition, the Placing gives the opportunity to the Company to broaden its shareholder and capital base and strengthen the cash position of the Company. Accordingly, the Board (other than the Dissenting Director for the reason as mentioned above) considers that the Placing is fair and reasonable to the Shareholders and the Company as a whole.

EFFECT ON SHAREHOLDING STRUCTURE

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries with the relevant Shareholders and holder(s) of the convertible notes of the Company, the existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon (i) full conversion of the Fulbond Convertible Notes; (ii) full conversion of Fulbond Convertible Notes and Wise Virtue Convertible Note; (iii) full conversion of the Convertible Notes; and (iv) full conversion of the Convertible Notes and full exercise of the subscription rights attaching to the Warrants are set out as below:

Shareholders	As at the date of this announcement		Upon full conversion of the Fulbond Convertible Notes		Upon full conversion of the Fulbond Convertible Notes and the Wise Virtue Convertible Note (without taking into account the Adjustment)		Upon full conversion of the Convertible Notes (without taking into account the Adjustment)		Upon full conversion of the Convertible Notes and full exercise of the subscription rights attaching to the Warrants (without taking into account the Adjustment)	
	No. of Shares held	Approximate shareholding percentage	No. of Shares held	Approximate shareholding percentage	No. of Shares held	Approximate shareholding percentage	No. of Shares held	Approximate shareholding percentage	No. of Shares held	Approximate shareholding percentage
	Shares	%	Shares	%	Shares	%	Shares	%	Shares	%
Zhang Xi (Note 1)	1,592,826,000	12.30	1,592,826,000	1.71	1,592,826,000	1.70	1,592,826,000	1.65	1,592,826,000	1.62
Li Geng	1,656,840,000	12.79	1,656,840,000	1.78	1,656,840,000	1.76	1,656,840,000	1.72	1,656,840,000	1.69
Public Shareholders										
Wise Virtue (Note 2)	-	-	-	-	933,316,976	0.99	933,316,976	0.97	933,316,976	0.95
Sun Boom	-	-	-	-	-	-	2,680,308,139	2.78	2,680,308,139	2.73
Holders of Fulbond										
Convertible Notes (Note 3)	-	-	80,000,000,000	86.06	80,000,000,000	85.21	80,000,000,000	82.84	80,000,000,000	81.58
Placees of Warrants	-	-	-	-	-	-	-	-	1,500,000,000	1.53
Other public shareholders	9,704,953,755	74.91	9,704,953,755	10.45	9,704,953,755	10.34	9,704,953,755	10.04	9,704,953,755	9.90
Total	<u>12,954,619,755</u>	<u>100.00</u>	<u>92,954,619,755</u>	<u>100.00</u>	<u>93,887,936,731</u>	<u>100.00</u>	<u>96,568,244,870</u>	<u>100.00</u>	<u>98,068,244,870</u>	<u>100.00</u>

Notes:

1. Mr. Zhang Xi is an executive Director and chairman of the Company.
2. Wise Virtue is wholly and beneficially owned by Ms. Lam So Ying.
3. The figures set out in the table are for illustrative purposes only. Pursuant to the terms of the Fulbond Convertible Notes, No conversion shall be made by the Noteholder unless the Noteholder provides, to the reasonable satisfaction of the Company, evidence that such Noteholder and its parties acting in concert (as defined under The Codes on Takeovers and Mergers and Share Repurchases) will not be beneficially interested in 30% or more of the then issued share capital and/or the voting rights of the Company immediately upon conversion.
4. Please note that the percentages may not add up to 100% due to rounding.

Upon full conversion of the Fulbond Convertible Notes, the shareholding of the existing substantial shareholders, Mr. Zhang Xi and Mr. Li Geng, will be materially diluted and they will no longer be substantial shareholders of the Company. However, the Directors are unable to determine whether any Placee will become a substantial shareholder of the Company as a result of completion of the Placing. The Directors are currently unable to determine whether there will be a change in the largest shareholder as a result of completion of the Placing. However, announcement will be made by the Company if any substantial shareholders evolved as a result of completion of the Placing or there is any change in control of the Company.

FUND RAISING IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

The Company has not undertaken any fund raising exercises in the 12 months immediately preceding the date of this announcement.

GENERAL

The Group is principally engaged in (i) the business of manufacturing and sale of wooden products, such as door skins and particle board products; and (ii) food processing and distribution business.

The Company will seek approval by the Shareholders on the Placing Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Fulbond Convertible Notes and the allotment and issue of the Conversion Shares) at the SGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting at the SGM.

A circular containing, among others, further details of the Placing Agreement and the transactions contemplated thereunder, together with a notice of the SGM will be dispatched to the Shareholders as soon as practicable.

Shareholders and potential investors should note that the Placing is subject to conditions to be fulfilled. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

POSSIBLE ADJUSTMENT TO WISE VIRTUE CONVERTIBLE NOTE, SUN BOOM CONVERTIBLE NOTES AND THE WARRANTS

The Placing may lead to adjustments to (i) the conversion price of the Wise Virtue Convertible Note and Sun Boom Convertible Notes and (ii) the subscription price of the Warrants. The Company will notify the holders thereof and the shareholders by way of announcement regarding adjustments to be made (if any) pursuant to the terms of the Wise Virtue Convertible Note, Sun Boom Convertible Notes and the Warrants (as and when appropriate).

DEFINITIONS

“Adjustment”	possible adjustments to (i) the conversion price of the Wise Virtue Convertible Note and Sun Boom Convertible Notes and (ii) the subscription price of the Warrants as a result of the Placing
“Board”	the board of Directors
“Business Day”	any day (not being a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for business
“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(s)”	the meaning ascribed thereto under the Listing Rules
“Conversion Shares”	those shares to be issued upon the exercise of the conversion rights under the Fulbond Convertible Notes, namely, a maximum of 80,000,000,000 new Shares falling to be issued if full exercise of the conversion rights attached to the Fulbond Convertible Notes at the conversion price of HK\$0.01 per Share (subject to adjustment)
“Convertible Notes”	Wise Virtue Convertible Note, Sun Boom Convertible Notes and Fulbond Convertible Notes
“Directors”	the directors of the Company
“Dissenting Director”	Mr. Cheng Wyman, Paul, a director of Sun Boom, the holder of the Sun Boom Convertible Notes, and who abstained from voting in respect of the Placing by reason of his capacity as a director of Sun Boom
“Fulbond Convertible Notes”	the convertible redeemable notes to be issued by the Company in the maximum aggregate principal amount of HK\$800,000,000 due on Maturity Date
“Group”	the Company and its subsidiaries

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	third parties independent of the Company and connected persons of the Company
“Last Trading Date”	6 August 2009, being the date of the Placing Agreement, which is a Stock Exchange trading day
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	a date falling on the expiry of 3 calendar months after the date of SGM or if such date is not a Business Day, the immediate preceding Business Day (or such later date as may be agree between the Company and the Placing Agent)
“Maturity Date”	the date falling upon the expiry of three years from the date on which the Fulbond Convertible Notes is first issued or if such date is not a Business Day, the immediate preceding Business Day
“Noteholder(s)”	the holder(s) of the Fulbond Convertible Notes
“Placee(s)”	any professional, institutional or other investor(s) procured by the Placing Agent to subscribe for the Fulbond Convertible Notes
“Placing”	the placing of the Fulbond Convertible Notes by the Placing Agent on a best efforts basis
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on type 1 (dealing in securities) regulated activities for the purposes of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	a conditional placing agreement dated 6 August 2009 entered into between the Company and the Placing Agent in relation to the Placing
“PRC”	the People’s Republic of China
“SGM”	a special general meeting of the Company to be held to consider the Placing and the transactions contemplated therein
“Share(s)”	the ordinary shares of US\$0.001 each in the capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the authority to issue and allot such amount of new Shares upon conversion of the Fulbond Convertible Notes to satisfy all the conversion rights of holders of the Fulbond Convertible Notes pursuant to a Shareholders’ resolution to be proposed at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sun Boom”	Sun Boom Limited, a company incorporated in the British Virgin Islands
“Sun Boom Convertible Notes”	(i) a 2 years convertible note in the principal amount of US\$3,700,000 issued by the Company to Sun Boom on 9 April 2008 with a conversion price of HK\$0.086 per Share (subject to adjustment); (ii) a 2 years convertible note in the principal amount of HK\$121,000,000 issued by the Company to Sun Boom on 30 May 2008 with a conversion price of HK\$0.086 per Share (subject to adjustment); and (iii) a 5 years convertible note in the principal amount of HK\$80,646,500 issued by the Company to Sun Boom on 17 October 2008 with a conversion price of HK\$0.086 per Share (subject to adjustment)
“Warrants”	up to 1,500,000,000 unlisted warrants issued by the Company at the price of HK\$0.001 per unit, each entitles the holder thereof to subscribe for one Share at the subscription price of HK\$0.074 per Share (subject to adjustment) at any time during a period of 30 months commencing from 21 January 2008, the date of issue of the Warrants
“Wise Virtue”	Wise Virtue Holdings Limited, a company incorporated in the British Virgin Islands
“Wise Virtue Convertible Note”	a 5 years convertible note in the principal amount of HK\$80,265,260 issued by the Company to Wise Virtue on 17 October 2008 with a conversion price of HK\$0.086 per Share (subject to adjustment)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

By Order of the Board of
Fulbond Holdings Limited
Zhang Xi
Chairman

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Zhang Xi, Mr. Cheng Wyman Paul, Ms. Catherine Chen, Mr. Yeung Kwok Yu and Mr. Lee Sun Man; and three independent non-executive Directors, namely Mr. Hong Po Kui, Martin, Mr. Yam Tak Fai, Ronald and Mr. Yu Pan.