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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

STRUCTURE OF THE PLACING AND USE OF PROCEEDS

Reference is made to the Announcement. The Company wishes to announce that it intends to proceed with the Placing in two tranches comprising the First Tranche Fulbond Convertible Notes and the Second Tranche Fulbond Convertible Notes.

The First Tranche Fulbond Convertible Notes will be placed by the Placing Agent on a best efforts basis. The proceeds under this tranche of Placing will be reserved for redemption of existing convertible notes of the Company and will be used to strengthen the cash position of the Company for working capital of the Company. The placing of the Second Tranche Fulbond Convertible Notes will proceed upon finalization of the Acquisition. The net proceeds under the placing of the Second Tranche Fulbond Convertible Notes will be applied for such Acquisition.

The terms of the Acquisition are still under negotiations. **Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

Should the Acquisition become materialized, it may constitute notifiable transaction for the Company under Chapter 14 of the Listing Rules. The Company will seek Shareholders' approval on (i) the Acquisition and (ii) the issue of the Second Tranche Fulbond Convertible Notes and the allotment and issue of Shares pursuant to conversion of the Second Tranche Fulbond Convertible Notes upon the entering into of a formal agreement in respect of the Acquisition.

DESPATCH OF CIRCULAR

A circular containing, among other things, further details of the Placing and a notice convening the SGM will be despatched by the Company to the Shareholders on 28 September 2009.

Reference is made to the announcement of the Company dated 6 August 2009 in respect of the proposed placing of convertible notes of the Company in the aggregate principal amount of HK\$800,000,000 under specific mandate (the “Announcement”). Terms used herein shall have the same meanings as those defined in the Announcement unless otherwise specified.

STRUCTURE OF THE PLACING

The Company wishes to announce that it intends to proceed with the Placing in two tranches comprising (i) convertible notes in the maximum aggregate principal amount of HK\$450,000,000 due on Maturity Date (“First Tranche Fulbond Convertible Notes”) and (ii) convertible notes in the maximum aggregate principal amount of HK\$350,000,000 due on Maturity Date (“Second Tranche Fulbond Convertible Notes”). Both the First Tranche Fulbond Convertible Notes and the Second Tranche Fulbond Convertible Notes fall under the Placing subject to and upon the terms and conditions under the Placing Agreement.

The First Tranche Fulbond Convertible Notes will be placed by the Placing Agent on a best efforts basis. The proceeds under this tranche of Placing will be reserved for redemption of existing convertible notes of the Company and will be used to strengthen the cash position of the Company for working capital of the Company as mentioned below. The SGM will be convened for the purpose of seeking the Shareholders approval on the issue of the Fulbond Convertible Notes and the specific mandate for allotment and issue of Shares under the First Tranche Fulbond Convertible Notes.

The placing of the Second Tranche Fulbond Convertible Notes will proceed upon finalization of the Group’s acquisition of interests in respect of a property development project in Dalian, Liaoning Province, the People’s Republic of China (the “PRC”) as mentioned below. The net proceeds under the placing of the Second Tranche Fulbond Convertible Notes will be applied for such acquisition. Upon finalization of the terms of such acquisition, the Company will issue a circular and will proceed to convene a further special general meeting whereby the Acquisition (as hereinafter defined) and a specific mandate for the allotment and issue of Shares under the Second Tranche Fulbond Convertible Notes will be considered and approved (if appropriate) by the Shareholders.

USE OF PROCEEDS

Overview

The current businesses of the Company do not appear to be promising. It will be prudent for the Company, and the Company is considering, to (i) explore other business development and/or potential investment opportunities; and (ii) restructure or reorganize its existing businesses and the combination of these businesses.

At present, the Company is considering to participate in a PRC property development project in Dalian, Liaoning Province, the PRC by acquiring certain equity interests in two PRC-incorporated companies (“Target Companies”) which together own the state-owned land use rights of a parcel of land (the “Land”) with an aggregate area of 400,000 m² located at the Golden Pebble Beach Tourist & Vacation Zone of the Economic and Technological Development Zone of Dalian, Liaoning Province, the PRC (the “Acquisition”). The Land is being jointly developed by the Target Companies involving construction of villas and luxurious houses in several phases. Phase I of the development of the Land has been completed whereas the Planning Permit for Construction Works in relation to phase II of the development of the Land has already been obtained. The terms of the Acquisition are still under negotiations. **Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

Should the Acquisition become materialized, it may constitute notifiable transaction for the Company under Chapter 14 of the Listing Rules. The Company will seek Shareholders’ approval on (i) the Acquisition and (ii) the issue of the Second Tranche Fulbond Convertible Notes and the allotment and issue of Shares pursuant to conversion of the Second Tranche Fulbond Convertible Notes upon the entering into of a formal agreement in respect of the Acquisition.

On the other hand, the Company is reviewing the existing businesses of the Group and is considering to consolidate certain of its operations. Restructuring of certain of its existing businesses and disposal of under-performing operations of the Group are under consideration. In the event that any of such events materializes, further announcement(s) will be made by the Company as and when required by the Listing Rules.

Use of Proceeds

The gross proceeds and the net proceeds from the placing of the First Tranche Fulbond Convertible Notes will be approximately HK\$450,000,000 and HK\$440,000,000 respectively. The Board intends to utilize the proceeds from the Placing as follow:

- (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\$290,000,000 to strengthen the cash position of the Company and to provide for business operations and working capital of the Company, which will comprise:
- (a) up to approximately HK\$50,000,000 to be reserved to fund the preliminary works relating to the Acquisition, such as, up to approximately RMB40,000,000 (equivalent to approximately HK\$45,200,000) for the payment of any earnest money or deposit in order to proceed with the Acquisition and/or payment for the Acquisition; and the remaining fund in the sum of approximately RMB4,247,788 (equivalent to approximately HK\$4,800,000) for the engagement of various professionals (including PRC accounting firm and lawyers to conduct due diligence and valuer to carry out valuation in respect of the Acquisition) provided that, if the Acquisition is not ultimately completed, any remaining balance not having been utilized shall be applied as general working capital of the Company;
 - (b) available cash in the sum of up to approximately HK\$45,765,000 as may be necessary to restore the Group's cash flow position, including, up to approximately RMB12,500,000 (equivalent to approximately HK\$14,125,000) for the cash outflow to the timber business of the Group; and up to approximately RMB28,000,000 (equivalent to approximately HK\$31,640,000) for the food processing and distribution business of the Group, including up to approximately RMB21,000,000 (equivalent to approximately HK\$23,730,000) as general working capital to fund its day-to-day operation and to repay the revolving bank loans granted to the PRC operating subsidiaries of the Group so as to reapply for such bank loans and the remaining sum of approximately RMB7,000,000 (equivalent to approximately HK\$7,910,000) for the maintenance and refreshment of machineries and equipment;
 - (c) available cash in the sum of up to approximately HK\$178,600,000 as may be necessary to honour the Company's financial obligations, including further redemption of existing convertible notes of the Company; and
 - (d) the remaining fund of approximately HK\$15,635,000 to be reserved for the operation of the Company.

The gross proceeds and the net proceeds from the placing of the Second Tranche Fulbond Convertible Notes will be approximately HK\$350,000,000 and HK\$342,000,000 respectively which will be applied for the Acquisition as new business development of the Company should it become materialised.

All the Directors (other than Mr. Cheng Wyman, Paul, a director of Sun Boom, the holder of the Sun Boom Convertible Notes, who indicated that he disagreed to the discount to the market price under the conversion price and the Shareholders' dilution effect under the Placing) confirmed that the terms of the Placing and the Placing Agreement are fair and reasonable, on normal commercial terms and are in the interest of the Company and its shareholders as a whole.

The Board further announces that a side letter has been entered into between the Company and the Placing Agent on 24 September 2009 to amend the definition of the Long Stop Date as appeared in the Placing Agreement, whereby the Long Stop Date shall be a date falling on the expiry of 3 calendar months after the date of the relevant special general meeting of the Company to consider and approve,

inter alia, the relevant specific mandate(s) for the allotment and issue of the Conversion Shares under the relevant Fulbond Convertible Notes or if such date is not a Business Day, the immediate preceding Business Day. Save for the Long Stop Date, all the other terms and conditions of the Placing Agreement and the terms and conditions of the Fulbond Convertible Notes shall remain in full force and effect.

DESPATCH OF CIRCULAR

A circular containing, among other things, further details of the Placing and a notice convening the SGM will be despatched by the Company to the Shareholders on 28 September 2009.

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

Hong Kong, 25 September 2009

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 four independent non-executive Directors, namely Mr. Hong Po Kui, Martin, Mr. Yu Pan, Ms. Ma Yin Fan and Mr. Leung Hoi Ying.

In this announcement, for reference only, translation of Renminbi (“RMB”) into Hong Kong dollars is based on the exchange rate of RMB1.00 = HK\$1.13.