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Fulbond Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1041)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION RELATING TO DISPOSAL OF THE ENTIRE INTEREST IN PROWEALTH HOLDINGS GROUP LIMITED

AND

RESUMPTION OF TRADING

Financial adviser to the Company



KINGSTON CORPORATE FINANCE LIMITED

SALE AND PURCHASE DEED

On 4 December 2009, among others, the Vendor, a wholly-owned subsidiary of the Company and the Purchaser entered into the Sale and Purchase Deed whereby the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares for a consideration of HK\$165,000,000.

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. The Purchaser is legally and beneficially owned as to 50% by Huang Yu Wei, the spouse of the Purchaser's Guarantor, who in turn was a substantial Shareholder holding 1,656,840,000 Shares representing approximately 12.60% of the issued share capital of the Company prior to the Shares Transfer. The Purchaser's Guarantor is a director of Prowealth and certain of its subsidiaries and the general manager of Hainan Jiadexin. As a result, the Purchaser is a connected person of the Company for the purpose of the Listing Rules. Therefore, the Disposal also constitutes a connected transaction of the Company and will be subject to approval of the Independent Shareholders at the SGM.

GENERAL

A circular containing, among others, (i) further details of the Disposal, (ii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal, (iii) the recommendation from the Independent Board Committee to the Independent Shareholders regarding the Disposal, and (iv) a notice of the SGM will be dispatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 4 December 2009 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 10 December 2009.

Reference is made to the announcements of the Company dated 29 February 2008, 8 May 2008, 3 June 2008 and 17 July 2008 and the circulars of the Company dated 22 April 2008 and 30 June 2008 in respect of, inter alia, the acquisition of interests in Prowealth and the announcement of the Company dated 6 November 2009 in respect of the proposed disposal of the entire issued share capital of a major subsidiary of the Company.

THE SALE AND PURCHASE DEED

Date: 4 December 2009

Parties: (1) Fulbond Investments Limited, a wholly-owned subsidiary of the Company, as vendor;

(2) the Company;

(3) Sincerity Shine Holdings Limited, a company incorporated in Hong Kong which is principally engaged in investment holding, as purchaser; and

(4) Li Geng, as the Purchaser's guarantor

Assets to be disposed of

The Sale Shares to be disposed of by the Vendor represent the entire issued share capital of Prowealth.

Condition

Completion of the sale and purchase of the Sale Shares is subject to and conditional upon approval by the Shareholders (other than the Purchaser or any other connected party within the meaning of the Listing Rules who is precluded from voting pursuant to the Listing Rules) on the entering into of the Sale and Purchase Deed and the transactions contemplated thereunder at the SGM and such approval not having

been or proposed to be revoked and such approval is evidenced by a scrutineers' certificate issued by the branch share registrar of the Company in accordance with the Sale and Purchase Deed, a certified copy of which the Vendor shall promptly provide to each of the Escrow Agent and the Purchaser.

If the above condition is not fulfilled on or before the Long Stop Date, the Sale and Purchase Deed shall automatically terminate and be of no effect and the parties will be released from all obligations thereunder, save for liabilities in respect of any antecedent breaches.

Consideration

The Consideration of HK\$165,000,000 for the Sale Shares shall be paid in cash by the Purchaser to the Vendor (or as it may direct) in the following manner:–

- (a) a sum of HK\$90,000,000 shall, upon signing of the Sale and Purchase Deed or as soon as practicable, be paid into the Designated Account which shall, subject to the provisions of the Sale and Purchase Deed, be applied as part payment of the Consideration upon Completion (“Initial Deposited Sum”);
- (b) a sum of HK\$32,000,000 shall, by no later than 31 December 2009, be paid into the Designated Account which shall, subject to the provisions of the Sale and Purchase Deed, be applied as part payment of the Consideration upon Completion, provided however if the Purchaser shall fail or shall be in default to pay the said amount or any part thereof on or before 31 December 2009, (i) the Purchaser shall be liable to pay to the Vendor interest on any of the outstanding sum from 1 January 2010 to the date of payment at the rate of 6% per annum compounded on a monthly basis, provided that if the payment date does not fall on the expiry of a full calendar month period, interests in respect of the remaining period not falling within a full calendar month shall be accrued on the basis of the actual number of days elapsed and a 365 days' year period at the rate of 6 % per annum; and (ii) the Vendor may at its absolute discretion (but not an obligation) extend the deadline for such payment of such sum of all or any part of HK\$32,000,000 to a date falling on the expiry of 6 months from the date of Completion (“Further Deposited Sum”); and
- (c) the balance of the Consideration in the sum of HK\$43,000,000 shall be paid within 18 months from the date of Completion, provided however, if the Purchaser shall fail or shall be in default to pay all or any part of the Further Deposited Sum by 31 December 2009, and the Vendor agrees to extend the deadline for payment of the outstanding balance of the Further Deposited Sum, such sum of HK\$43,000,000 and the outstanding balance of the Further Deposited Sum (together with any interest accrued thereon) shall be paid within 6 months from the date of Completion as balance of the Consideration, and by the delivery of the Promissory Note duly executed by the Purchaser in favour of the Vendor on Completion. At the request of the Purchaser, such date of payment may be extended by a further period of 3 months after the expiry of such 18 months or 6 months period (as the case may be) upon the mutual agreement between the Vendor and the Purchaser in writing (the “Due Date”), provided that the Vendor shall give consideration to the Purchaser's request in good faith in arriving at its decision. Should the Purchaser fail or in default to pay such balance of the Consideration or any part thereof on or before the Due Date, the Purchaser shall be liable to pay to the Vendor interest on any of the outstanding sum at the rate of 6% per annum calculated on a daily basis (based on a 365 days' year period) from the Due Date to the date of payment.

If the condition precedent to the Sale and Purchase Deed is not fulfilled on or before the Long Stop Date, the Company shall as soon as practicable return the money held in the Designated Account as follow:

- (a) as to the sum of HK\$40,000,000 to a joint name account to be opened in the name of the Purchaser's Guarantor and a representative of Wise Virtue with a licensed bank in Hong Kong; and
- (b) as to the remaining sum to the Purchaser (or as the Purchaser may direct).

The consideration was determined after arm's length negotiation between the Vendor and the Purchaser with reference to (i) the valuation of Prowealth of RMB\$124,000,000 (equivalent to approximately HK\$140,120,000) as shown in the draft valuation report of Prowealth on the reference date, being 31 October 2009, by Asset Appraisal Limited, an independent valuer, which was arrived at adopting the market approach and (ii) the unaudited net asset value of Prowealth.

As disclosed in the circular of the Company dated 28 September 2009, 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. The proceeds from the Disposal are intended to be applied for principal operations and/or potential investment opportunities and/or as general working capital of the Company.

Share Charge

As security for the payment obligation on the part of the Purchaser with respect to the balance of the Consideration and under the Promissory Note, at Completion, the Purchaser undertakes to charge by way of first fixed charge the Sale Shares in favour of the Vendor.

Completion

Completion will take place on or before the second business day after the condition precedent as set out above has been fulfilled.

The documents required to be delivered by each of the parties upon Completion are currently held in escrow by the Escrow Agent and shall be released to the respective parties in accordance with the terms of the Sale and Purchase Deed upon Completion. If Completion does not take place pursuant to the Sale and Purchase Deed, these completion documents will be returned to the respective parties.

INFORMATION ON PROWEALTH GROUP

Prowealth is an investment holding company incorporated in the British Virgin Islands on 17 May 2007, which holds 100% shareholding interest in Yield On and through various intermediary subsidiaries holds 100% equity interest in Maoming Changxing and Hainan Jiadexin. Prowealth has not conducted any business save for its investment holding of Yield On, Maoming Changxing and Hainan Jiadexin since its date of incorporation. Yield On is a limited company incorporated in Hong Kong and is engaged in seafood trading business. Both Maoming Changxing and Hainan Jiadexin are limited companies established in the PRC and are principally engaged in seafood processing business in the PRC.

Set out below is the financial information of Prowealth Group for the two years ended 31 December 2007 and 31 December 2008 respectively which was prepared in accordance with the generally accepted accounting principles of Hong Kong:

	For the year ended 31 December 2007 approximately HK\$'000 (Audited)	For the year ended 31 December 2008 approximately HK\$'000 (Unaudited)
Net profit before taxation and extraordinary items	34,282	41,210
Net profit after taxation and extraordinary items	34,282	35,066
Net assets	36,816	193,029
Total assets	268,015	341,256

POSSIBLE FINANCIAL EFFECT OF THE DISPOSAL

Upon completion of the Disposal, the Prowealth Group will cease to be subsidiaries of the Company and its accounts will not be consolidated into the Company's financial statements.

Based on the value of the Prowealth Group as set out in the section headed "Information on Prowealth Group" above, it is expected that the Company will realise a loss before expenses from the Disposal of approximately US\$3,619,000 (equivalent to approximately HK\$28,047,000) which represents the difference between the Consideration and the net asset value of Prowealth Group of approximately US\$24,907,000 (equivalent to approximately HK\$193,029,000) as at 31 December 2008. As at 30 June 2009, the unaudited net asset value of Prowealth Group amounted to approximately HK\$ 182,945,000.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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 Vendor acquired the entire issued share capital of Prowealth at a total consideration of HK\$605,000,000 in the following manner: (i) as to 20% of the entire issued share capital of Prowealth at a consideration of HK\$121,000,000 from Sun Boom pursuant to an agreement entered into between Sun Boom as vendor, the Vendor as purchaser, Ajia Partners Special Situations Fund ILP as Sun Boom's guarantor and the Company as the Vendor's guarantor dated 22 February 2008 (as supplemented by two supplemental deeds dated 27 February 2008 and 30 April 2008 entered into between the same parties); and (ii) as to 80% of the entire issued share capital of Prowealth at a consideration of HK\$484,000,000 from Sun Boom and Wise Virtue pursuant to an agreement entered into between Sun Boom and Wise Virtue as vendors, the Vendor as purchaser and the Company dated 28 May 2008. The unaudited net profit of the Prowealth Group for the six months ended 30 June 2009 amounted to approximately

HK\$3,414,000, representing a decrease of approximately 71% comparing to the same period last year of approximately HK\$11,745,000. The unaudited net loss of the Prowealth Group for the period from 1 January 2009 to 31 October 2009 amounted to approximately HK\$2,055,000. The performance of the Prowealth Group falls short of the expectation of the Board as a result of the impact of the recent global financial crisis on Prowealth Group's major trading markets, namely, the United States of America and Canada. Notwithstanding that the Company will suffer a loss on Disposal, the Directors have considered the following factors in arriving at the decision for the Disposal: (i) the Consideration is made with reference to the valuation and the unaudited net asset value of Prowealth; (ii) the avoidance of further deterioration of the commercial value of Prowealth; and (iii) through the Disposal, the Group may efficiently re-allocate its resources to its principal operations and/or other investment opportunities.

Based on the above, the Directors (excluding the independent non-executive Directors whose view will be provided after taking into consideration the opinion and recommendation made by the independent financial adviser to be appointed by the Company) are of the view that the terms of the Sale and Purchase Deed (including, inter alia, the Consideration) are fair and reasonable and that the entering into of the Sale and Purchase Deed is in the interests of the Company and its Shareholders as a whole.

TRANSFER OF CONVERTIBLE NOTES AND SHARES

Pursuant to the Wise Virtue Convertible Note and Sun Boom Convertible Notes, transfer of the above convertible notes is permitted only with prior written consent of the Company. The Company has been informed that, on 4 December 2009, Wise Virtue and Sun Boom have transferred the Wise Virtue Convertible Note and Sun Boom Convertible Notes to third parties independent of the Company and connected persons of the Company respectively pursuant to the terms and conditions of the Wise Virtue Convertible Note and Sun Boom Convertible Notes and written consent has been given by the Company in respect of each of the above transfers.

On the same date immediately prior to the transfer of the Wise Virtue Convertible Note and Sun Boom Convertible Notes, Wise Virtue and Sun Boom have respectively released and discharged the Vendor and the Company from their liabilities and obligations under (i) the deed of charge dated 17 October 2008 entered into between Wise Virtue, the Vendor and the Company and (ii) the deeds of charge dated 30 May 2008 (as supplemented by a deed dated 26 August 2008) and 17 October 2008 respectively entered into between Sun Boom, the Vendor and the Company, pursuant to which 6,667 Sale Shares and a total of 3,333 Sale Shares were charged by the Vendor in favour of Wise Virtue and Sun Boom respectively and (iii) the deed of charge dated 9 April 2008 entered into between Sun Boom and the Company over the US dollars interest bearing bank account opened and maintained by the Company with deposit of the subscription money for the convertible note in the principal amount of US\$3,700,000 issued by the Company to Sun Boom on 9 April 2008, to secure the performance by the Vendor and the Company of their obligations under the terms and conditions of the Wise Virtue Convertible Note and the Sun Boom Convertible Notes.

The Company has also been informed that on 4 December 2009, the Purchaser's Guarantor has entered into an agreement to dispose of all of the Shares held by him ("Shares Transfer").

As informed by the Purchaser, part of the Consideration payable pursuant to the Sale and Purchase Deed would be financed by (i) Wise Virtue from its proceeds raised from the sale of the Wise Virtue Convertible Note and (ii) the Purchaser's Guarantor from his proceeds raised from the Shares Transfer.

GENERAL

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. The Purchaser is legally and beneficially owned as to 50% by Huang Yu Wei, the spouse of the Purchaser's Guarantor, who in turn was a substantial Shareholder holding 1,656,840,000 Shares representing approximately 12.60% of the issued share capital of the Company prior to the Shares Transfer. The Purchaser's Guarantor is a director of Prowealth and certain of its subsidiaries and the general manager of Hainan Jiadexin. As a result, the Purchaser is a connected person of the Company for the purpose of the Listing Rules. Therefore, the Disposal also constitutes a connected transaction of the Company and will be subject to approval of the Independent Shareholders at the SGM.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder will be required to abstain from voting at the SGM to approve the Sale and Purchase Deed and the transactions contemplated thereunder.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Disposal. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the Disposal.

A circular containing, among others, (i) further details of the Disposal, (ii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal, (iii) the recommendation from the Independent Board Committee to the Independent Shareholders regarding the Disposal; and (iv) a notice of the SGM will be dispatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 4 December 2009 pending the release of this announcement. An application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 10 December 2009.

DEFINITIONS

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors

“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
“Completion”	actual completion of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Deed
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration in the sum of HK\$165,000,000 payable by the Purchaser to the Vendor for the sale and purchase of the Sale Shares
“Designated Account”	the Hong Kong dollar savings account opened and maintained as a trust account by the Company at Hang Seng Bank which is operated jointly by one of the Directors and the Purchaser’s Guarantor
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms of the Sale and Purchase Deed
“Escrow Agent”	the solicitors acting for the Vendor and the Company
“Group”	the Company and its subsidiaries
“Hainan Jiadexin”	海南佳德信食品有限公司 (Hainan Jiadexin Foodstuff Company Limited), a company incorporated with limited liability in the PRC which is 100% owned by Prowealth through its wholly owned subsidiaries
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors established to advise the Independent Shareholders in relation to the Disposal
“Independent Shareholders”	Shareholders other than the Purchaser’s Guarantor and his associates
“Independent Third Party”	third parties independent of the Company and connected persons of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	30 June 2010 (which may at the absolute discretion of the Vendor be extended to 31 October 2010) or such later date as the parties hereto may from time to time agree in writing
“Maoming Changxing”	茂名長興食品有限公司 (Maoming Changxing Foods Company Limited), a company incorporated with limited liability in the PRC which is 100% owned by Prowealth through its wholly owned subsidiaries
“PRC”	the People’s Republic of China
“Promissory Note”	the promissory note to be issued by the Purchaser to the Vendor upon Completion
“Prowealth”	Prowealth Holdings Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Prowealth Group”	Prowealth and its subsidiaries
“Purchaser”	Sincerity Shine Holdings Limited, a company incorporated in Hong Kong
“Purchaser’s Guarantor”	Mr. Li Geng
“Sale and Purchase Deed”	the sale and purchase deed dated 4 December 2009 entered into between the Vendor, the Company, the Purchaser and Li Geng as the Purchaser’s guarantor in respect of the sale and purchase of the Sale Shares
“Sale Shares”	10,000 ordinary shares of US\$1.00 each of Prowealth, representing the entire issued share capital of Prowealth
“SGM”	a special general meeting of the Company to be convened and held to consider the Sale and Purchase Deed and the transactions contemplated thereunder
“Share(s)”	the ordinary share(s) of US\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sun Boom”	Sun Boom Limited, a company incorporated in the British Virgin Islands and holder of the Sun Boom Convertible Notes

“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 (as supplemented by a deed dated 26 August 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)
“Vendor”	Fulbond Investments Limited, a wholly-owned subsidiary of the Company
“Wise Virtue”	Wise Virtue Holdings Limited, a company incorporated in the British Virgin Islands and holder of Wise Virtue Convertible Note
“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)
“Yield On”	Yield On International Limited (裕安國際有限公司), a company incorporated on 26 April 2006 with limited liability in Hong Kong which is wholly owned by Prowealth
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America

In this announcement, for reference only, translation of United States dollars into Hong Kong dollars is based on the exchange rate of US\$1.00 = HK\$7.75; and the translation of Renminbi into Hong Kong dollars is based on the exchange rate of RMB1.00 = HK\$1.13.

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

Hong Kong, 9 December 2009

As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Zhang Xi, Ms. Catherine Chen, Mr. Yeung Kwok Yu, Mr. Lee Sun Man, Mr. Kwan Kam Hung, Jimmy and Mr. Wah Wang Kei, Jackie; and four independent non-executive Directors, namely Mr. Hong Po Kui, Martin, Mr. Yu Pan, Ms. Ma Yin Fan and Mr. Leung Hoi Ying.