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Fulbond Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1041)

**(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
RELATING TO THE ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF AND
THE ASSIGNMENT OF THE SHAREHOLDER'S LOAN OF
ALLYWING INVESTMENTS LIMITED**

**(2) PLACING OF THE SECOND TRANCHE CONVERTIBLE NOTES
UNDER SPECIFIC MANDATE**

AND

(3) RESUMPTION OF TRADING

ACQUISITION AGREEMENT

The Board is pleased to announce that on 1 June 2010, the Purchaser which is a wholly-owned subsidiary of the Company and the Vendor entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire the Sale Share, which represents the entire issued share capital of the Target Company, and the Shareholder's Loan at the Consideration of RMB284,848,920 (equivalent to approximately HK\$324,727,769).

As at the date of this announcement, Xi'an Yuansheng has registered capital of RMB5 million and is wholly-owned by Chengdu Hongbang. Xi'an Yuansheng is undergoing the First Stage Capital Increase. Upon completion of the First Stage Capital Increase, the registered capital of Xi'an Yuansheng will become RMB20 million.

In preparation of the Acquisition, the Target Company and Chengdu Hongbang entered into the Capital Increase Agreement on 28 May 2010, pursuant to which the Target Company has agreed to make the Capital Injection in a sum of RMB30 million to Xi'an Yuansheng. Upon completion of the Second Stage Capital Increase, the registered capital of Xi'an Yuansheng will be increased from RMB20 million to RMB50 million, and the Target Company and Chengdu Hongbang will respectively own 60% and 40% equity interest in Xi'an Yuansheng, which in turn holds the land use and development rights of the Land.

Upon Acquisition Completion, the Target Company will become a wholly-owned subsidiary of the Company and Xi'an Yuansheng will become a non-wholly owned subsidiary of the Company.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. The Vendor is an executive Director and the chairman of the Company. Accordingly, the Vendor is a connected person of the Company and the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisition Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules. To the best of the Directors' knowledge, information and belief having made reasonable enquiries, save for the Vendor and his associates, no Shareholder has a material interest in the Acquisition Agreement and the transactions contemplated thereunder. Therefore, save for the Vendor and his associates, no Shareholder is required to abstain from voting in relation to the resolution(s) to be proposed for approving the Acquisition Agreement and the transactions contemplated thereunder at the SGM.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Acquisition. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

PLACING OF SECOND TRANCHE CONVERTIBLE NOTES

Reference is made to the announcements of the Company dated 6 August 2009, 25 September 2009, 16 October 2009, 29 December 2009 and 14 January 2010 respectively and the Placing Circular in respect of, inter alia, the Placing.

Placing of the First Tranche Convertible Notes, which was carried out in two tranches, took place on 29 December 2009 and 14 January 2010, respectively.

As disclosed in the Placing Circular, the placing of the Second Tranche Convertible Notes up to the aggregate principal amount of HK\$350,000,000 would be proceeded upon finalization of the Group's acquisition in respect of the Proposed Dalian Project; and the proceeds thereunder were intended to be applied to satisfy the consideration for the above acquisition. However, the Proposed Dalian Project has fallen through due to the lapse of considerable time. During this period, the Company has seized an opportunity to invest in the Property Project on the Land. Accordingly, the Company intends to proceed with the placing of the Second Tranche Convertible Notes with the view to raise financing for the Acquisition.

In view of the above, the Company proposes to seek the Shareholders' approval at the SGM for the issue of the Second Tranche Convertible Notes and the grant of the Specific Mandate. Since the proceeds (or any part thereof as the Company may consider necessary) generated from the issue of the Second Tranche Convertible Notes would be applied to satisfy the Consideration (whether in whole or in part), the Vendor is considered to have material interest in the placing of the Second Tranche Convertible Notes. Accordingly, the Vendor and his associates will abstain from voting on the resolution to be proposed for approving the issue of the Second Tranche Convertible Notes and the grant of the Specific Mandate.

GENERAL

The Circular containing, among others, (i) further details of the Acquisition, (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition, (iii) a letter of advice from Guangdong Securities in respect of the Acquisition, (iv) further details of the placing of the Second Tranche Convertible Notes, (v) a notice of the SGM and (vi) other information concerning the Group as required under the Listing Rules is expected to be dispatched to the Shareholders on or before 31 July 2010, which exceeds the prescribed time limit for despatch of a circular under the Listing Rules as more time may be required to compile the necessary information into the Circular.

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 2 June 2010 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 9 June 2010.

THE ACQUISITION AGREEMENT

Date

1 June 2010

Parties

Purchaser: Good Base Investments Limited, a wholly-owned subsidiary of the Company

Vendor: Mr. Zhang Xi, an executive Director and the chairman of the Company

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to purchase the Sale Share, representing the entire issued share capital of the Target Company and the Shareholder's Loan from the Vendor.

In preparation of the Acquisition, the Target Company entered into the Capital Increase Agreement with Chengdu Hongbang on 28 May 2010, pursuant to which the Target Company has agreed to make the Capital Injection to Xi'an Yuansheng; and completion of the Second Stage Capital Increase under the Capital Increase Agreement is one of the Conditions Precedent to the Acquisition Completion. Upon completion of the Second Stage Capital Increase, the Target Company and Chengdu Hongbang will respectively own 60% and 40% equity interest in Xi'an Yuansheng, which in turn holds the land use and development rights of the Land.

Consideration

The total Consideration payable for the Sale Share and the Shareholder's Loan is RMB284,848,920 (equivalent to approximately HK\$324,727,769) and shall be paid in cash by the Purchaser to the Vendor on the Completion Date in HK\$ at the exchange rate between HK\$ and RMB being the average of the ask and bid exchange rate as quoted by the Bank of China (Hong Kong) at the close of business on the Business Day immediately preceding the Completion Date, provided that in any event the total Consideration payable by the Purchaser shall not exceed HK\$330,000,000.

The Consideration was determined after arm's length negotiations between the parties having taken into account (i) the appraised value of the Land determined by Asset Appraisal Limited, an independent valuer; and (ii) the total consideration payable by the Vendor for the purpose of acquiring the ownership of 60% equity interest in Xi'an Yuansheng, comprising the Capital Injection in the sum of RMB30 million (equivalent to approximately HK\$34.2 million) under the Capital Increase Agreement and the Land Purchase Price in the sum of RMB254,848,920 (equivalent to approximately HK\$290,527,769) under the Ancillary Agreement.

The appraised value of the Land as shown in the draft valuation report prepared by the independent valuer based on comparison method was approximately RMB470,000,000 (equivalent to approximately HK\$535.8 million) as at 30 April 2010. At present, the books of Xi'an Yuansheng only reflect the original cost of the Land but not the value of the Land under revaluation.

The Group intends to finance the Consideration by internal resources and/or the proceeds from the issue of the Second Tranche Convertible Notes, details of which are set out under the section headed "Placing of the Second Tranche Convertible Notes" in this announcement.

Conditions Precedent

Acquisition Completion is subject to and conditional upon the satisfaction in full or the waiver of the following Conditions Precedent (save for condition (i) below which cannot be waived):-

- (i) the Independent Shareholders should have approved the Acquisition Agreement and all the transactions contemplated thereunder at the SGM in accordance with the Listing Rules;
- (ii) to the extent as the Purchaser may, in its absolute discretion, think necessary for the purpose of financing the sale and purchase of the Sale Share and the Shareholder's Loan, the due and proper completion of the placing of the Second Tranche Convertible Notes in an aggregate principal amount of HK\$350 million or any part thereof;
- (iii) the First Stage Capital Increase shall have been duly and properly completed and shall have been fully paid and approval of the First Stage Capital Increase by the relevant governmental authority in the PRC shall have been obtained;
- (iv) (a) the Capital Increase Agreement shall remain valid and binding and not being revoked and not being varied, amended or modified without the prior written consent of the Purchaser; and

(b) the Second Stage Capital Increase under the Capital Increase Agreement shall have been duly and properly completed and shall have been fully paid to result in the final structure of the Target Group and approval of the Second Stage Capital Increase by the relevant governmental authority in the PRC shall have been obtained;
- (v) the New JV Agreement and the New JV Articles, each in such forms and contents and upon such terms and conditions as may be satisfactory to the Purchaser in its absolute discretion, shall have been duly executed by the Target Company and Chengdu Hongbang and approval of the New JV Agreement and the New JV Articles by the relevant governmental authority in the PRC shall have been obtained;
- (vi) the land use and development rights of the Land shall remain valid and binding and not being revoked and not being varied, amended or modified unless with the prior written consent of the Purchaser;

- (vii) the qualification certificate for real estate development enterprise (房地產開發企業資質證書) held by Xi'an Yuansheng shall remain valid and binding and not being revoked and not being varied, amended or modified unless with the prior written consent of the Purchaser;
- (viii) the provision of evidence by the Vendor to the Purchaser to the absolute satisfaction of the Purchaser that (i) the Land Charge and the relevant guarantees given by Xi'an Yuansheng in relation to the Existing Third Parties Loans have been fully and completely discharged and released; and (ii) save and except for the Shareholder's Loan, all loans, debts, liabilities or other financial facilities outstanding or available to the Target Group (including the Target Company and Xi'an Yuansheng) shall have been fully settled and the Target Group shall have no liabilities on Acquisition Completion;
- (ix) PRC legal opinions from the PRC legal advisers acceptable to the Purchaser (in forms and contents satisfactory to the Purchaser in its absolute discretion) on, inter alia: (i) the due incorporation, shareholders and scope of business activities of the relevant member of the Target Group in the PRC; (ii) that the Target Company has become the legal and beneficial owner of the 60% of the equity interest in Xi'an Yuansheng free from any encumbrance; (iii) the relevant licences and consent (or renewal thereof, as the case may be) in relation to the Land and/or the development of the Land, including but not limited to the land use right certificates of the Land and the qualification certificate for real estate development enterprise, having been validly issued by the proper PRC government authority; (iv) the renewal of the deadlines for (a) commencement of construction work on the Land before the prescribed commencement date (i.e. 30 December 2008) and (b) completion of the construction work on the Land before the prescribed completion date (i.e. 31 December 2010) pursuant to the Land Contracts; (v) the Land not being treated as idle land and (vi) such other matters as may be required by the Purchaser, shall have been delivered to the Purchaser to its absolute satisfaction;
- (x) the Purchaser being satisfied with the results of the due diligence review, including but not limited to the satisfaction of the affairs, business, assets, liabilities, operations, records, financial position, value of assets, accounts, results, legal and financial structure of the Target Group and there is no matter appearing to the Purchaser from the due diligence review which in the opinion of the Purchaser may adversely affect the value of the Sale Share; and
- (xi) it has not come to the attention of the Purchaser that any material adverse changes or effect on the Target Group has occurred prior to the Completion Date or are likely to occur before the Completion Date.

If the Conditions Precedent are not fulfilled (or waived by the Purchaser) on or before 31 October 2010 or such other later date as the parties to the Acquisition Agreement may agree in writing, the Acquisition Agreement and the transactions contemplated thereunder shall terminate and be null and void and of no further effect and no parties thereto shall have any liability to any other party, save in respect of any prior breaches. The Company currently does not intend to waive any of the Conditions Precedent prior to Acquisition Completion. However, should the Company consider it to be necessary to waive any of the Conditions Precedent, the Company will review the overall terms and conditions of the Acquisition after such waiver and may impose further terms and conditions to the waiver, which may

include an adjustment to the Consideration, as the Board considers necessary to safeguard the interest of the Company and its Shareholders. In the event that there is any material variation of the terms of the Acquisition as previously announced, the Company will comply with the relevant provisions of the Listing Rules.

Acquisition Completion

Acquisition Completion shall take place on the Completion Date.

Upon Acquisition Completion, the Target Company will become a wholly-owned subsidiary of the Company and Xi'an Yuansheng will become a non-wholly owned subsidiary of the Company. Accounts of the Target Group will be consolidated into the Group's accounts.

Put Option

Pursuant to the Acquisition Agreement, the Purchaser has a right to exercise the Put Option to require the Vendor to purchase back from the Purchaser the Sale Share (together with any outstanding shareholder's loan due and owing by the Target Company to the Purchaser at the time when the Put Option is completed (the "**New Shareholder's Loan**"), being the Shareholder's Loan and any shareholder's loan granted by the Purchaser to the Target Company after Acquisition Completion (the "**Additional Shareholder's Loan**")) at the Option Price in the event that a new construction land planning permit (建設用地規劃許可證) or the renewal of the existing construction land planning permit for the Land upon such terms and conditions as may be acceptable to the Purchaser cannot be obtained on or before 31 December 2010 (or such later date as may be agreed by the Purchaser) (the "**Latest Issue Date**"). The Put Option is exercisable up to the expiry of 12 months from the Latest Issue Date.

The exercise of the Put Option is at the discretion of the Purchaser. The Put Option is granted in consideration of the Purchaser agreeing to purchase the Sale Share and the Shareholder's Loan and thus no premium is required to be paid by the Purchaser for the grant of the Put Option. Therefore, the grant of the Put Option is exempt from the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. The exercise of the Put Option is expected to constitute a notifiable and connected transaction for the Company and the Company will comply with the applicable reporting, announcement and independent shareholders' approval requirements pursuant to the Listing Rules on the exercise of the Put Option.

Chengdu Hongbang and its shareholders have undertaken to obtain the above construction land planning permit pursuant to the Capital Increase Agreement and the Ancillary Agreement, failing which the Target Company may exercise an option to request Chengdu Hongbang to purchase back the 60% equity interest in Xi'an Yuansheng at the Capital Injection cost; and the Vendor may demand the refund of the Land Purchase Price from the shareholders of Chengdu Hongbang in accordance with the terms thereunder. The exercise of the above option by the Target Company after it has become a wholly-owned subsidiary of the Company is expected to constitute a notifiable and connected transaction for the Company and will be subject to the applicable reporting, announcement and independent shareholders' approval requirements pursuant to the Listing Rules. The above option is an alternative to the Company's Put Option. Considering that the return under the exercise of the Put Option is more favourable and

beneficial to the Company and its Shareholders as a whole, the exercise of the Put Option will be a priority to the exercise of the above option granted to the Target Company.

Information on the Target Group

The Target Company is incorporated in the British Virgin Islands on 12 April 2007 with limited liability. As at the date of this announcement, the Target Company is wholly-owned by the Vendor as an investment holding company.

Xi'an Yuansheng is a company incorporated in the PRC with limited liability. As at the date of this announcement, Xi'an Yuansheng has registered capital of RMB5 million and is wholly-owned by Chengdu Hongbang. Xi'an Yuansheng is undergoing the First Stage Capital Increase. Upon completion of the First Stage Capital Increase, the registered capital of Xi'an Yuansheng will become RMB20 million.

In preparation of the Acquisition, the Target Company and Chengdu Hongbang entered into the Capital Increase Agreement on 28 May 2010, pursuant to which the Target Company has agreed to make the Capital Injection in a sum of RMB30 million to Xi'an Yuansheng. Upon completion of the Second Stage Capital Increase, the registered capital of Xi'an Yuansheng will be increased from RMB20 million to RMB50 million, whereby the equity interest in Xi'an Yuansheng will be owned as to 60% by the Target Company and 40% by Chengdu Hongbang.

On 28 May 2010, the Vendor and the shareholders of Chengdu Hongbang entered into the Ancillary Agreement, pursuant to which the Vendor has agreed to pay the shareholders of Chengdu Hongbang a sum of RMB254,848,920 (the "**Land Purchase Price**") as the consideration in relation to taking control from Chengdu Hongbang the 60% equity interest in Xi'an Yuansheng to cover the shortfall between the value of the underlying asset of Xi'an Yuansheng, which is the Land, and the amount of the Capital Injection payable by the Target Company under the Capital Increase Agreement.

It is the current intention that the Company, through its indirect interest in the Target Company upon Acquisition Completion, will jointly develop the Land with Chengdu Hongbang through their respective equity interest in Xi'an Yuansheng. Accordingly, the Target Company and Chengdu Hongbang will enter into the New JV Agreement and the New JV Articles prior to Acquisition Completion in respect of the Joint Venture. Major terms of the New JV Agreement and the New JV Articles will be set out in the Circular.

Information on the Land

Xi'an Yuansheng is principally engaged in development and sale of real estate and property management and owns the land use and development rights of the Land comprising Land A and Land B, which are both located at Caotan Nongchang Dong Qu, Weiyang District, Xi'an City, the PRC. Land A covers a site area of approximately 134,357 square meters for residential use and Land B covers a site area of approximately 19,739 square meters for commercial use. The terms for grant of the land use rights of Land A and Land B are 70 years and 40 years, respectively.

As at the date of this announcement, the Land has not yet been developed. According to the conditions explanatory note from Xi'an Town Planning Bureau issued to the Land Resources Administration Bureau on 13 May 2010, it is proposed to revise the location and development proposal for the Southeast junction of the Land under the traffic enhancement plan for the surrounding districts at the Xi'an Bei Station of Zhengxi Passenger Railway. As such, the Xi'an Town Planning Bureau has yet been able to review the development project of the Land, leading to the delay in commencement of the construction work.

Pursuant to the Land Contracts, the construction work has to be commenced by 30 December 2008 and completed by 31 December 2010. Failure to meet the above commencement date or completion date may, in each case, result in Xi'an Yuansheng being charged a default payment amounting to 0.1% of the land premium per each day of delay. In addition, if the Land is considered to be idle land, the Land Resources Administration Bureau would be entitled to charge from Xi'an Yuansheng land idling penalties amounting to 20% of the land premium of the Land or even resume the land use rights of the Land without compensation.

As advised by the PRC legal advisers to the Company, Xi'an Yuansheng will not be penalized for its delay in commencement of the construction work nor for idle land issue since the above default is due to delay in the approval process by the relevant PRC governmental authority but without fault on the part of Xi'an Yuansheng. In addition, the construction land planning permit and/or other relevant construction permits to be issued to Xi'an Yuansheng will provide a revised construction period, during which the development of the Land shall be carried out. Furthermore, pursuant to the Acquisition Agreement, the Vendor has undertaken to indemnify the Purchaser against all losses or liabilities suffered by the Purchaser or any member of the Target Group as a result of or in connection with, inter alia, the delay in commencement of the construction work or the Land being considered as idle land.

The Land is subject to the Land Charge which was created in favour of a financial institution for the Existing Third Parties Loans. Therefore, Acquisition Completion is subject to condition (viii) as set out under the section headed "Conditions Precedent" in this announcement being fulfilled.

Information on the Property Project

According to the latest development proposal in relation to the Land (the "**Proposal**"), the Land would be developed into a residential and commercial area comprising approximately 435,595 square meters for residential use and approximately 90,403 square meters for commercial use (the "**Property Project**"). It is proposed that the Property Project will primarily comprise 21 blocks of 33-storey residential buildings, 2 blocks of 21-storey commercial buildings and one shopping mall. Preliminary work relating to the Property Project will be carried out during the period from the middle of year 2010 to the first quarter of year 2011. The Property Project would be developed in seven phrases during the period from the first quarter of year 2011 to the year end of 2015. According to the Proposal, Xi'an Yuansheng would start generating income in September 2011 through sales of the residential properties developed in phrase 1. The Proposal, including the construction program set out therein, is in its preliminary stage and is subject to the approval of the relevant governmental authorities. It will also be subject to changes depending on, among others, the availability of sufficient funds for the Property Project.

As at the Completion Date, the registered capital of Xi'an Yuansheng will be RMB50 million and the total investment amount is expected to be RMB100 million. It is estimated that the total development cost of the Property Project would be approximately RMB1,600 million, in which a sum of approximately RMB65 million would be required to commence the development of phase 1 of the Property Project. Thereafter, it is expected that the remaining development cost can be sustained by income generated from the sales of properties and/or bank financing (if required). Neither the Target Company nor Chengdu Hongbang has any existing financial commitment or obligation in the contribution of additional funding to Xi'an Yuansheng or to provide guarantee to a third party or financial institutions for any loan to be granted to Xi'an Yuansheng. However, in the event that financial assistance in favour of Xi'an Yuansheng is required, such financial assistance is expected to be provided by the Target Company and Chengdu Hongbang in proportion to their respective equity interest in Xi'an Yuansheng. The provision of financial assistance by the Company to Xi'an Yuansheng will be subject to the requirements of the Listing Rules.

It is currently contemplated that the Company will finance the Property Project by (i) its internal resources, (ii) the remaining balance of proceeds from the placing of the First Tranche Convertible Notes intended for potential investment purpose as mentioned below and (iii) the remaining balance of proceeds from the placing of the Second Tranche Convertible Notes after satisfaction of the Consideration. Further funding requirement for the Property Project may be satisfied by bank loans and/or other means as the Company may consider appropriate depending on the actual development plan finally approved by the relevant governmental authority and the then economic situation.

In addition to those experience and qualification as set out in the Company's annual report for the year ended 31 December 2009, the Vendor, being the Chairman of the Company, has over 10 years of experience in property development in the PRC covering various areas of development projects such as office buildings and residential premises. In addition, a team of consultants has informally provided advice to the Company in relation to the preliminary work for the Property Project and the Company proposes to retain the team of consultants and/or engage additional experts in property development to manage and operate the Target Group upon Acquisition Completion.

Financial Information of the Target Group

The unaudited net loss of the Target Company for the period from 12 April 2007 (date of incorporation) to 31 March 2010 (both before and after taxation) was approximately HK\$7,456. The unaudited net liabilities of the Target Company as at 31 March 2010 was approximately HK\$7,448.

Based on the unaudited financial statements of Xi'an Yuansheng, the financial information of Xi'an Yuansheng for the two years ended 31 December 2009 are as follows:–

	For the year ended 31 December 2009 (unaudited)	For the year ended 31 December 2008 (unaudited)
Net loss before taxation	US\$64,089	US\$363,075
Net loss after taxation	US\$64,089	US\$363,075
Net Liabilities	US\$1,087,354	US\$1,023,265

Information on Chengdu Hongbang

Chengdu Hongbang is a company incorporated in the PRC with limited liability and is principally engaged in property development and property investment.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, Chengdu Hongbang and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Reasons for and benefit of the Acquisition

The Group is principally engaged in the business of manufacturing and sale of wooden products. The current businesses of the Group do not appear promising and thus the Group has been exploring other business development and/or potential investment opportunities. As at the date of this announcement, the Company has not entered into and does not intend to enter into any agreement, arrangement or understanding to dispose of its timber business. As disclosed in the Placing Circular, the Company considered to participate in a PRC property development project in Dalian, Liaoning Province, the PRC (the "**Proposed Dalian Project**"), which however has fallen through due to the lapse of time. Subsequently, the Company has been actively exploring other investment opportunities.

The Directors consider that the Acquisition, which provides the Group an opportunity to participate in the real estate market in the PRC, will enable the Group to diversify its business to the property development sector and it is expected that this would provide positive contributions to the operation of the Group in the long run.

The Directors (excluding the independent non-executive Directors whose view will be provided after taking into consideration the opinion and recommendation to be made by Guangdong Securities) believe that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. The Vendor is an executive Director and the chairman of the Company. Accordingly, the Vendor is a connected person of the Company and the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisition Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules. To the best of the Directors' knowledge, information and belief, having made reasonable enquiries, save for the Vendor and his associates, no Shareholder has a material interest in the Acquisition Agreement and the transactions contemplated thereunder. Therefore, save for the Vendor and his associates, no Shareholder is required to abstain from voting in relation to the resolution(s) to be proposed for approving the Acquisition Agreement and the transactions contemplated thereunder at the SGM.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Acquisition. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

PLACING OF THE SECOND TRANCHE CONVERTIBLE NOTES

Background

Reference is made to the announcements of the Company dated 6 August 2009, 25 September 2009, 16 October 2009, 29 December 2009 and 14 January 2010 respectively and the Placing Circular in respect of, inter alia, the Placing.

As announced by the Company on 16 October 2009, a resolution was duly passed by the Shareholders to approve (i) the Placing Agreement and the placing of the Fulbond Convertible Notes comprising the First Tranche Convertible Notes and the Second Tranche Convertible Notes and (ii) the grant of specific mandate to the Directors to allot and issue the Conversion Shares upon exercise of the conversion rights under the First Tranche Convertible Notes. Subsequently, placing of the First Tranche Convertible Notes, which was carried out in two tranches, took place on 29 December 2009 and 14 January 2010, respectively.

As disclosed in the Placing Circular, the placing of the Second Tranche Convertible Notes up to the aggregate principal amount of HK\$350,000,000 would be proceeded upon finalization of the Group's acquisition in respect of the Proposed Dalian Project; and the proceeds thereunder were intended to be applied to satisfy the consideration for the above acquisition. However, the Proposed Dalian Project has fallen through due to the lapse of considerable time. During this period, the Company has seized an opportunity to invest in the Property Project on the Land. Accordingly, the Company intends to proceed with the placing of the Second Tranche Convertible Notes with the view to raise financing for the Acquisition. In the event that the Acquisition does not proceed, the Company will reserve the proceeds from the placing of the Second Tranche Convertible Notes for any other investment opportunity as may be identified by the Company.

In addition, as set out in the Placing Circular, the net proceeds of up to approximately HK\$50,000,000 from the placing of the First Tranche Convertible Notes would be reserved to fund the preliminary works relating to the Proposed Dalian Project and if the Proposed Dalian Project is not ultimately completed, any remaining balance not having been utilized shall be applied as general working capital of the Company. Since the Proposed Dalian Project has fallen through, the Board now wishes to apply the HK\$50,000,000 from the placing of the First Tranche Convertible Notes as mentioned above for general working capital of the Company.

In view of the above, the Company proposes to seek the Shareholders' approval at the SGM for the issue of the Second Tranche Convertible Notes and the grant of the Specific Mandate. Since the proceeds (or any part thereof as the Company may consider necessary) generated from the issue of the Second Tranche Convertible Notes would be applied to satisfy the Consideration (whether in whole or in part), the Vendor is considered to have material interest in the placing of the Second Tranche Convertible

Notes. Accordingly, the Vendor and his associates will abstain from voting on the resolution to be proposed for approving the issue of the Second Tranche Convertible Notes and the grant of the Specific Mandate. Furthermore, it is currently expected that the Placing Agent will place the Second Tranche Convertible Notes to not less than six independent Placees (who will be independent professional, institutional or other investors), each of whom will be third party independent of (i) the Company and its connected persons; (ii) Chengdu Hongbang and (iii) Xi'an Yuansheng.

On 2 June 2010, the Company and the Placing Agent entered into a side letter to confirm that based on the definition of Long Stop Date in the Placing Agreement, the Placing Agreement shall remain valid, effective and binding.

Save for the change of use of proceeds arising from the Placing as mentioned above, all other terms and conditions of the Placing as set out in the Placing Circular remain unchanged. The Board, having taken into account that (i) the Placing Agreement has already been approved by the Shareholders in October 2009, (ii) the discount of the conversion price to the market price of the Shares has been reduced from approximately 74.36% based on Share price as quoted on the Stock Exchange on the date of the Placing Agreement to approximately 50% based on Share price as quoted on the Stock Exchange on 1 June 2010, being the last trading day prior to the date of this announcement, (iii) the conversion price of HK\$0.01 per Conversion Share is already very close to the par value of the Shares and (iv) the recent market sentiment, considers that the terms of the Second Tranche Convertible Notes as set out in the Placing Circular are still fair and reasonable.

Conditions of the Placing of the Second Tranche Convertible Notes

The Placing of the Second Tranche Convertible Notes 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 of the Second Tranche Convertible Notes;
- (b) the granting of approval by the Shareholders on the issue of the Second Tranche Convertible Notes and the allotment and issue of the Conversion Shares under the Second Tranche Convertible Notes; and
- (c) (if so required by the laws of Bermuda) the approval of the Bermuda Monetary Authority for the issue of the Second Tranche Convertible Notes and the Conversion Shares issuable on conversion of the Second Tranche 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).

Completion of the Placing

Completion of the placing of the Second Tranche Convertible Notes shall take place within four Business Days following the date on which the conditions set out above 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). As disclosed in the announcements of the Company dated 29 December 2009 and 14 January 2010, placing of the First Tranche Convertible Notes took place in 2 tranches on 29 December 2009 and 14 January 2010, respectively. The Company will issue an announcement upon each partial completion of the placing of the Second Tranche Convertible Notes. 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 Second Tranche 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 of the Second Tranche Convertible Notes can take place.

Reasons for and benefit of the Placing of the Second Tranche Convertible Notes

The gross proceeds and the net proceeds from the placing of the Second Tranche Convertible Notes will be approximately HK\$350,000,000 and HK\$343,000,000, respectively. The Board intends to apply the net proceeds (or any part thereof as the Company may consider necessary) obtained from the placing of the Second Tranche Convertible Notes to satisfy the Consideration (whether in whole or in part), and the remaining balance thereof shall be used to finance the Property Project.

Since the Acquisition is a valuable opportunity for the Company to diversify its business to the property development sector, the Board considers that it is a suitable timing for the Company to issue the Second Tranche Convertible Notes to provide the Company with immediate funding. In addition, the placing of the Second Tranche Convertible Notes gives the opportunity to the Company to broaden its shareholder and capital base. Accordingly, the Directors consider that the placing of the Second Tranche Convertible Notes 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, based on public information, the effects on the shareholding structure of the Company (i) upon full conversion of the Second Tranche Convertible Notes; (ii) after (i) above and upon full conversion of the Existing Convertible Notes; (iii) after (ii) above and upon full exercise of the subscription rights attaching to the outstanding Warrants; and (iv) after (iii) above and upon full exercise of the outstanding Share Options are set out below:

Shareholders	As at the date of this announcement		Upon full conversion of the Second Tranche Convertible Notes		Upon full conversion of the Second Tranche Convertible Notes and the Existing Convertible Notes		Upon full conversion of the Second Tranche Convertible Notes and the Existing Convertible Notes and full exercise of the subscription rights attaching to the outstanding Warrants		Upon full conversion of the Second Tranche Convertible Notes and the Existing Convertible Notes and full exercise of the subscription rights attaching to the outstanding Warrants and the outstanding Share Options	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>No. of Shares</i>	<i>shareholding percentage %</i>	<i>No. of Shares</i>	<i>shareholding percentage %</i>	<i>No. of Shares</i>	<i>shareholding percentage %</i>	<i>No. of Shares</i>	<i>shareholding percentage %</i>	<i>No. of Shares</i>	<i>shareholding percentage %</i>
Directors										
Zhang Xi (Note 1)	1,592,826,000	4.52	1,592,826,000	2.27	1,592,826,000	1.67	1,592,826,000	1.64	1,684,443,000	1.73
Catherine Chen (Note 2)									91,617,000	0.09
Substantial Shareholder										
Wong Hip Keung	4,000,000,000	11.35	4,000,000,000	5.69	4,000,000,000	4.20	4,000,000,000	4.11	4,000,000,000	4.10
Public Shareholders										
Wong Lai Hop	3,450,000,000	9.79	3,450,000,000	4.91	3,450,000,000	3.62	3,450,000,000	3.55	3,450,000,000	3.54
Holders of Second Tranche Convertible Notes			35,000,000,000	49.83	35,000,000,000	36.75	35,000,000,000	36.00	35,000,000,000	35.91
Holders of Existing Convertible Notes					25,000,000,000	26.25	25,000,000,000	25.71	25,000,000,000	25.65
Placees of Warrants							1,980,923,092	2.04	1,980,923,092	2.03
Other holders of Share Options									64,132,000	0.07
Other public shareholders	26,200,101,432	74.34	26,200,101,432	37.30	26,200,101,432	27.51	26,200,101,432	26.95	26,200,101,432	26.88
Total	35,242,927,432	100.00	70,242,927,432	100.00	95,242,927,432	100.00	97,223,850,524	100.00	97,471,216,524	100.00

Notes:

1. Mr. Zhang Xi is an executive Director and chairman of the Company.
2. Ms. Catherine Chen is an executive Director.
3. The percentages may not add up to 100% due to rounding.

Fund Raising Activities of the Company in the past 12 months

Save for the placing of the First Tranche Convertible Notes, the Company has not conducted any fund raising activities in the past twelve months before the date of this announcement. Detailed breakdown of the use of the net proceeds from the placing of the First Tranche Convertible Notes in an amount of approximately HK\$440,000,000 is set out below:-

Net proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds
Up to HK\$150,000,000	To redeem outstanding convertible notes of the Company	Used as intended
Up to approximately HK\$50,000,000	To be reserved to fund the preliminary works relating to the Proposed Dalian Project, provided that if the Proposed Dalian Project is not ultimately completed, any remaining balance not having been utilized shall be applied as general working capital of the Company	As disclosed in this announcement, the HK\$50,000,000 would be applied as general working capital of the Company
Up to approximately HK\$14,125,000	For cash outflow to the timber business of the Group	Reserved as intended
Up to approximately HK\$31,640,000	As disclosed in the announcement of the Company dated 19 January 2010, such amount, which was originally intended to be used for the food processing and distribution business of the Group as set out in the Placing Circular, would be applied as general working capital of the Group and/or funding for potential investment when opportunities arise	Approximately HK\$13,516,000 used as general working capital of the Group and the remaining balance of HK\$18,124,000 reserved as intended
Up to approximately HK\$178,600,000	As available cash which may be necessary to honour the Company's financial obligations	Used as intended
Remaining balance of approximately HK\$15,635,000	To be reserved for the operation of the Company	Reserved as intended

The unutilised proceeds from the placing of the First Tranche Convertible Notes as mentioned above are placed in bank deposit.

GENERAL

The Circular containing, among others, (i) further details of the Acquisition, (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition, (iii) a letter of advice from Guangdong Securities in respect of the Acquisition, (iv) further details of the placing of the Second Tranche Convertible Notes, (v) a notice of the SGM and (vi) other information concerning the Group as required under the Listing Rules is expected to be dispatched to the Shareholders on or before 31 July 2010, which exceeds the prescribed time limit for despatch of a circular under the Listing Rules as more time may be required to compile the necessary information into the Circular.

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 2 June 2010 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 9 June 2010.

DEFINITIONS

In this announcement, the following terms shall have the meanings respectively set opposite them unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Share and the Shareholder’s Loan by the Purchaser in accordance with the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement dated 1 June 2010 entered into between the Purchaser and the Vendor in respect of the Acquisition
“Acquisition Completion”	completion of the Acquisition in accordance with the Acquisition Agreement
“Ancillary Agreement”	the agreement dated 28 May 2010 entered into between the shareholders of Chengdu Hongbang and the Vendor in relation to the payment of the Land Purchase Price
“associates”	has the meaning ascribed thereto under the Listing Rules
“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

“Capital Increase Agreement”	an agreement dated 28 May 2010 entered into between the Target Company and Chengdu Hongbang in relation to the Second Stage Capital Increase
“Capital Injection”	the capital injection of RMB30 million into Xi’an Yuansheng to be made by the Target Company for the Second Stage Capital Increase pursuant to the Capital Increase Agreement
“Chengdu Hongbang”	成都宏邦投資有限公司 (Chengdu Hongbang Investments Limited*), a company incorporated in the PRC with limited liabilities
“Circular”	the circular to be issued by the Company to the Shareholders providing details of, inter alia, the Acquisition and the placing of the Second Tranche Convertible Notes
“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 Date”	a date falling within five Business Days after the fulfillment of the Conditions Precedent (or such other date as the Purchaser and the Vendor may agree before Acquisition Completion)
“Conditions Precedent”	the conditions precedent of the Acquisition Agreement, details of which are set out in the section headed “Conditions Precedent” of this announcement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Acquisition
“Conversion Shares”	those shares of the Company to be issued upon the exercise of the conversion rights under the Fulbond Convertible Notes
“Directors”	the directors of the Company
“Existing Convertible Notes”	the First Tranche Convertible Notes in an outstanding aggregate principal amount of HK\$250,000,000
“Existing Third Parties Loans”	loans in the principal amounts of RMB51 million and RMB23.5 million owing by Xi’an Xirong Technology Industry (Group) Co., Ltd. and Xi’an Kingtone Information Technology Co., Ltd. respectively to a financial institution in the PRC

“First Stage Capital Increase”	the increase of the registered capital of Xi’an Yuansheng from RMB5 million to RMB20 million by the capital contribution made solely by Chengdu Hongbang
“First Tranche Convertible Notes”	the convertible redeemable notes in an aggregate principal amount of HK\$450,000,000 due on Maturity Date issued by the Company to the Noteholders in two tranches on 29 December 2009 and 14 January 2010 respectively
“Fulbond Convertible Notes”	the convertible redeemable notes of the Company in the maximum aggregate principal amount of HK\$800,000,000 due on Maturity Date comprising the First Tranche Convertible Notes and the Second Tranche Convertible Notes
“Group”	the Company and its subsidiaries
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 Acquisition
“Independent Shareholders”	Shareholders other than the Vendor and his associates
“Joint Venture”	the joint venture to be formed between the Target Company and Chengdu Hongbang principally for the development of the Land through Xi’an Yuansheng
“Land”	Land A and Land B
“Land A”	a parcel of land in Weiyang District, Xi’an City, the PRC with a site area of approximately 134,357 square meters for residential use
“Land B”	a parcel of land in Weiyang District, Xi’an City, the PRC with a site area of approximately 19,739 square meters for commercial use

“Land Charge”	the charge created over the Land in favour of a financial institution to secure the Existing Third Parties Loans
“Land Contracts”	the Land Use Right Granting Modification Agreements (國有土地使用權出讓變更協議) (Ref. Nos. 18233-1 and 18233-3) (as amended and supplemented by their respective supplemental agreements (Ref. Nos. 18233-2 and 18233-4)) both dated 1 February 2008 and entered into by Xi’an Yuansheng and Xi’an Land Resources Administration Bureau in relation to Land A and Land B, respectively
“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 fixed for convening the special general meeting of the Company to consider and approve, inter alia, the specific mandate(s) for the allotment and issue of the Conversion Shares under the Second Tranche Convertible Notes or if such date is not a Business Day, the immediate preceding Business Day
“Maturity Date”	28 December 2012, being the date falling upon the expiry of three years from the date on which the Fulbond Convertible Notes was first issued
“New JV Agreement”	the new joint venture agreement to be entered into between the Target Company and Chengdu Hongbang prior to Acquisition Completion in relation to the Joint Venture
“New JV Articles”	the new articles of association of Xi’an Yuansheng to be entered into between the Target Company and Chengdu Hongbang prior to Acquisition Completion in relation to the Joint Venture
“Noteholder(s)”	the holder(s) of the Fulbond Convertible Notes
“Option Price”	the Consideration and the principal amount of the Additional Shareholder’s Loan together with interest accrued thereon calculated at the rate equal to the lending rate quoted by the People’s Bank of China from time to time for the period from the Completion Date up to the date of completion of the sale and purchase of the Sale Share and the New Shareholder’s Loan upon exercise of the Put Option
“Placee(s)”	placee(s) under the Placing

“Placing”	the placing of the Fulbond Convertible Notes by the Placing Agent on a best effort basis pursuant to the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on type 1 regulated activities (dealing in securities) under the SFO
“Placing Agreement”	a conditional placing agreement dated 6 August 2009 entered into between the Company and the Placing Agent in relation to the Placing (as supplemented and amended by side letters made between the same parties on 24 September 2009 and 2 June 2010 respectively)
“Placing Circular”	the circular of the Company in respect of the Placing issued to the Shareholders on 28 September 2009
“PRC”	the People’s Republic of China excluding Hong Kong, Macau Special Administrative Region and Taiwan Region
“Purchaser”	Good Base Investments Limited, a wholly-owned subsidiary of the Company
“Put Option”	an option granted by the Vendor to the Purchaser pursuant to the Acquisition Agreement to require the Vendor to purchase back from the Purchaser the Sale Share and the New Shareholder’s Loan at the Option Price
“Sale Share”	1 share of US\$1.00 each in the share capital of the Target Company, representing the entire issued share capital of the Target Company
“Second Stage Capital Increase”	the increase of the registered capital of Xi’an Yuansheng from RMB20 million to RMB50 million by the Capital Injection to be made by the Target Company pursuant to the Capital Increase Agreement
“Second Tranche Convertible Notes”	the convertible redeemable notes in the maximum aggregate principal amount of HK\$350,000,000 due on Maturity Date to be issued by the Company pursuant to the Placing Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“SGM”	a special general meeting to be held by the Company to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder and the placing of the Second Tranche Convertible Notes
“Share(s)”	ordinary share(s) of US\$0.001 each in the share capital of the Company
“Share Option(s)”	the option(s) to subscribe for Shares granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 19 November 2001
“Shareholder(s)”	holder(s) of the Shares
“Shareholder’s Loan”	the shareholder’s loan due and owing to the Vendor by the Target Company as at the Completion Date which is interest-free and repayable on demand
“Specific Mandate”	the authority to issue and allot such number of Conversion Shares deliverable upon conversion of the Second Tranche Convertible Notes to satisfy all the conversion rights of holders of the Second Tranche Convertible Notes pursuant to a Shareholders’ resolution to be proposed at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Allywing Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiaries, including Xi’an Yuansheng, equity interest in which will be subscribed by the Target Company under the Capital Increase Agreement
“Vendor”	Mr. Zhang Xi, an executive Director and the chairman of the Company
“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\$0.026 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

“Xi’an Yuansheng”	西安遠聲實業有限公司 (Xi’an Yuansheng Enterprises Limited*), a company incorporated in the PRC with limited liabilities
“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
“%”	per cent

For the purpose of illustration only, the amount denominated in RMB has been translated into HK\$ at the exchange rate of RMB1.00 to HK\$1.14.

By Order of the Board
Fulbond Holdings Limited
Zhang Xi
Chairman

Hong Kong, 9 June 2010

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.

* *For identification purpose only*