福 邦 控 股

Fulbond Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 1041)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

The board of Directors (the "Board") of Fulbond Holdings Limited (the "Company") hereby announces the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006 and the comparative figures as follows:–

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2006

	NOTES	2006 US$'000	2005 US$'000
Turnover	3	**26,308**	22,485
Cost of sales		**(23,379)**	(20,880)
Gross profit		**2,929**	1,605
Other income	4	**700**	1,410
Distribution costs		**(3,120)**	(2,333)
Administrative expenses		**(3,904)**	(3,192)
Impairment loss recognised in respect of construction in progress		**(268)**	–
Finance costs	5	**(883)**	(746)
Share of results of associates		**(2,692)**	(1,801)
Loss before taxation		**(7,238)**	(5,057)
Tax charge	6	**(1,059)**	(1,040)
Loss for the year	7	**(8,297)**	(6,097)
Attributable to:			
Equity holders of the Company		**(7,017)**	(5,068)
Minority interests		**(1,280)**	(1,029)
		(8,297)	(6,097)
Loss per share – basic	8	**(0.08) US cent**	(0.06) US cent

CONSOLIDATED BALANCE SHEET
At 31 December 2006

	2006 US$'000	2005 US$'000
Non-current assets		
Property, plant and equipment	**14,944**	16,489
Prepaid lease payments	**905**	956
Interests in associates	**349**	3,008
Other investments	**–**	–
Club debenture	**–**	37
Deferred tax assets	**–**	943
	16,198	21,433
Current assets		
Inventories	**6,561**	9,229
Trade and other receivables	**5,986**	6,561
Deposits and prepayments	**1,408**	1,418
Prepaid lease payments	**108**	102
Tax recoverable	**48**	100
Bank balances and cash	**3,661**	2,635
	17,772	20,045
Current liabilities		
Trade and other payables	**7,265**	6,083
Amounts due to associates	**531**	118
Amount due to ultimate holding company	**–**	560
Amount due to former ultimate holding company	**560**	–
Bank and other borrowings – amount due within one year	**10,015**	10,887
	18,371	17,648
Net current (liabilities) assets	**(599)**	2,397
Total assets less current liabilities	**15,599**	23,830
Non-current liabilities		
Bank and other borrowings – amount due after one year	**1,659**	727
	13,940	23,103
Capital and reserves		
Share capital	**9,197**	9,197
Reserves	**(240)**	5,962
Equity attributable to equity holders of the Company	**8,957**	15,159
Minority interests	**4,983**	7,944
	13,940	23,103

Notes:

1. Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures [1]
HKFRS 7	Financial instruments: Disclosures [1]
HKFRS 8	Operating segments [2]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [3]
HK(IFRIC) – INT 8	Scope of HKFRS 2 [4]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives [5]
HK(IFRIC) – INT 10	Interim financial reporting and impairment [6]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions [7]
HK(IFRIC) – INT 12	Service concession arrangements [8]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2009.
3 Effective for annual periods beginning on or after 1 March 2006.
4 Effective for annual periods beginning on or after 1 May 2006.
5 Effective for annual periods beginning on or after 1 June 2006.
6 Effective for annual periods beginning on or after 1 November 2006.
7 Effective for annual periods beginning on or after 1 March 2009.
8 Effective for annual periods beginning on or after 1 January 2008.

2. Basis of Preparation of Financial Statements

In preparing the consolidated financial statements the directors have given consideration to the future liquidity of the Group. While recognising that the Group had sustained a net current liabilities of US$599,000 as at 31 December 2006, the directors are confident that the Group will be able to obtain financial support from the ultimate holding company of the Company, Civil Talent International Limited, to enable the Group to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. Turnover and Segment Information

Turnover represents the net amounts received and receivable for goods sold and services provided.

(a) Business segments

For management purposes, the Group is currently organised into four principal operating divisions, the principal activities of which are disclosed as follows and these divisions form the basis on which the Group reports its primary segment information.

Principal activities:

Blockboard and particle board	–	manufacture and trading of products of blockboard and particle board
Door skin	–	manufacture and trading of door skin
Other wooden products	–	manufacture and trading of wooden products other than those identified as above
Others	–	high-technology related business

For the year ended 31 December 2006

	Blockboard and particle board *US$'000*	**Door skin** *US$'000*	**Other wooden products** *US$'000*	**Others** *US$'000*	**Consolidated** *US$'000*
TURNOVER					
External sales	**12,523**	**11,770**	**2,015**	**–**	**26,308**
RESULT					
Segment result	**(582)**	**(257)**	**(1,756)**	**–**	**(2,595)**
Unallocated corporate expenses					**(1,068)**
Finance costs					**(883)**
Share of results of associates	**–**	**–**	**(1,239)**	**(1,453)**	**(2,692)**
Loss before taxation					**(7,238)**
Tax charge					**(1,059)**
Loss for the year					**(8,297)**

For the year ended 31 December 2005

	Blockboard and particle board *US$'000*	Door skin *US$'000*	Other wooden products *US$'000*	Others *US$'000*	Consolidated *US$'000*
TURNOVER					
External sales	11,128	8,084	3,273	–	22,485
RESULT					
Segment result	(28)	(342)	(1,218)	–	(1,588)
Unallocated income					287
Unallocated corporate expenses					(1,209)
Finance costs					(746)
Share of results of associates	–	–	(91)	(1,710)	(1,801)
Loss before taxation					(5,057)
Tax charge					(1,040)
Loss for the year					(6,097)

(b) Geographical segments

The Group's operations are located in Hong Kong and other regions in the People's Republic of China (the "PRC"). Manufacture of the wooden products is carried out in the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market	
	Year ended 31 December 2006 ***US$'000***	Year ended 31 December 2005 *US$'000*
The PRC	**16,020**	14,825
Europe	**4,613**	5,165
Asia excluding the PRC	**3,645**	913
Others	**2,030**	1,582
	26,308	22,485

4. Other Income

Other income comprises:

	2006 ***US$'000***	2005 *US$'000*
Value added tax refund (Note)	**545**	1,014
Exchange gain	**29**	13
Interest income	**24**	9
Rental income from lease of plant and machinery	**60**	–
Others	**42**	87
Gain on disposal of investments in an investee company	**–**	283
Gain on disposal of associates	**–**	4
	700	1,410

Note: Certain subsidiaries of the Company established in the PRC are involved in the production of wooden products which require the use of raw materials that are environmental friendly. Pursuant to the relevant rules and regulations of the PRC governing the value added tax ("VAT"), such subsidiaries were entitled to a VAT refund totalling US$545,000 (2005: US$1,014,000) for the year ended 31 December 2006.

5. Finance Costs

	2006	2005
	US$'000	*US$'000*
Interest on:		
– borrowings from banks and other financial institutions wholly repayable within five years	**786**	619
– three-year loan notes	**97**	97
– other borrowings	**–**	30
	883	746

6. Tax Charge

Tax charge comprises:

	2006	2005
	US$'000	*US$'000*
PRC Enterprise Income Tax	**(59)**	(12)
Deferred tax charge		
– current year	**–**	(91)
– deferred tax assets written-off	**(1,000)**	(937)
	(1,059)	(1,040)

Note:

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries incorporated in Hong Kong have no assessable profits for both years.

PRC Enterprise Income Tax is provided for with reference to the applicable tax rates prevailing in the respective regions of the PRC on the estimated assessable profits of subsidiaries.

7. Loss for the Year

Loss for the year has been arrived at after charging:

	2006	2005
	US$'000	*US$'000*
Directors' remuneration		
– Fees	**33**	14
– Other emoluments	**61**	45
	94	59
Employees' salaries and benefits expense	**1,204**	1,344
Retirement benefits scheme contributions for staff other than directors	**353**	338
Total employee benefits expense	**1,651**	1,741
Allowance for bad and doubtful debts	**758**	342
Amortisation of prepaid lease payments	**105**	102
Auditors' remuneration	**232**	182
Exchange losses	**–**	58
Depreciation of property, plant and equipment	**2,914**	3,013
Impairment loss recognised in respect of club debenture	**37**	–
Loss on disposal of property, plant and equipment	**11**	17
Minimum lease payments under operating leases in respect of rented premises	**45**	29
Write down of inventories to net realisable value	**659**	–
Cost of inventories recognised as expenses	**22,821**	20,880

8. **Loss per Share**

The calculation of the loss per share is based on the loss for the year attributable to equity holders of the Company US$7,017,000 (2005: US$5,068,000) and the weighted average of 9,197,779,755 (2005: 9,181,703,043) shares in issue during the year.

No diluted loss per share is presented for both years as the exercise of the outstanding share options or warrants would result in a decrease in the loss per share.

DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 December 2006 (2005: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company ("AGM") will be held on Tuesday, 22 May 2007. For details of the AGM, please refer to the Notice of Annual General Meeting which is expected to be despatched on or before 30 April 2007.

BUSINESS REVIEW

FINANCIAL RESULTS

During the year, the Group recorded a turnover of approximately US$26,308,000, increased 17% from last year's approximately US$22,485,000. Gross profit increased to approximately US$2,929,000, as compared to last year's US$1,605,000. The increase in turnover was due to expansion of clients base within the market and customer orders are continuous improved. The Group reported a loss of approximately US$8,297,000 (2005: US$6,097,000) which was due to the distribution costs standing consistently high and it was unable to shift its costs to the customers. Basic loss per share was US 0.08 cent (2005: US 0.06 cent).

Timber Business

In 2006, timber business continued to be the Group's core business.

Despite the keen competition in the market, the Group's major timber products including blockboard, particle board and door skin managed to achieve satisfactory growth in sales. However, the slightly decreasing of raw materials prices such as that of wood and chemicals reduced the Group's costs of production.

Jilin Fudun Timber Co., Ltd. ("Fudun"), the Group's 67% owned subsidiary, achieved steady growth in business. The molded door skins produced by Fudun are mainly exported overseas to markets including Turkey, the Middle East and Pakistan. Boasting good quality products, Fudun was able to meet the needs of customers in these overseas markets. During the year, Fudun reported a 46% increase in sales of door skin products and secured a higher gross profit margin.

Under the leadership of the Group's new management, Fudun will continue to explore new market so as to boost its revenue and profits.

High Technology Related Business

In the past few years, the Group had invested in high technology related business, especially that of System on Chip ("SoC") solutions and services. However, as the Group's technology arm, Fulhua Microelectronics Corporation ("FameG"), continued to record losses, the new Board of Directors decided to dispose of its stake in FameG. The Group has entered into an agreement with Silverplus Investment Limited regarding the said disposal. Details of the transaction are discussed in the Circular issued by the Group on 2 April 2007.

Future Plans and Prospects

Going forward, Fulbond will strive to improve its financial situation and overall performance. The Group will continue to strengthen its timber business and seek opportunities to develop other businesses to expand its revenue base. The Group will also implement prudent financial management and stringent cost control measures to enhance its profitability.

The Group is optimistic about the prospects of its timber business. It will consolidate the business and step up sales and marketing efforts to improve the segment's performance. Apart from growing existing markets, the Group will continue to explore other overseas markets. The Group took part in exhibitions which it received a request for product samples from a Russian buyer. The Group will continue negotiations with this potential customer and watch closely for other opportunities in the Russian market. Riding on its strong manufacturing capabilities and ever-expanding distribution network, the Group is also well-positioned to tap the PRC market that promises immense potential.

Prompted by the less than satisfactory performance of its high technology related business, the Group disposed of the stake in FameG, its loss incurring associated company, and will gradually exit this business segment and focus resources on developing timber business and exploring opportunities for new businesses so as to improve overall performance.

Change In Controlling Interest

In October 2006, Mr. Zhang Xi, an executive director of the Company, through his wholly and beneficially owned company, acquired 51.01% of the total issued share capital of the Company from Dr. Yang Di-Yuan, the Group's former chairman and executive director, resulting in a change of controlling shareholder. As a result of a change in controlling shareholder, the composition of the board of directors and key management have been changed. The structural adjustments affected the Group's strategic planning ahead for the year, resulting in modest performance across our operations.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, the Group's total shareholder equity was approximately US$8,957,000.

Total bank and other borrowings as at 31 December 2006 were approximately US$11,674,000. This consisted of outstanding secured and unsecured loans from banks and other financial institutions, unsecured loan notes and other loans which are mainly denominated in Reminbi and US dollars. The sales and purchases of the Group are also mainly denominated in Reminbi and US dollars. As the exchange rates of Reminbi against US dollars were relatively stable during the year, the Group's exposure to fluctuations in exchange rates is minimal.

As at 31 December 2006, the cash and bank balances of the Group was approximately US$3,661,000.

PLEDGE OF ASSETS

At 31 December 2006, the Group had pledged certain properties and plant and equipment with carrying amounts of US$8,150,000 (2005: US$9,375,000) to various banks for securing loans and credit facilities granted to the Group.

CONTINGENT LIABILITIES

At 31 December 2006, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2006, the Group employed approximately 780 full time management, administrative and production staff in the PRC and Hong Kong. Total staff costs including directors' emoluments incurred during the year, amounted to US$1,651,000 (2006: US$1,741,000).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company, nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2006.

AUDIT COMMITTEE

The Company has established an Audit Committee which comprises three independent non-executive Directors, namely Mr. Hong Po Kui, Martin, Mr. Yam Tak Fai, Ronald and Mr. Wong Man Hin, Raymond. The Audit Committee has reviewed and discussed with the management and accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters. The audited financial statements of the Group for the year ended 31 December 2006 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2006, the Company has compiled with all code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

During the year, the Company has adopted a code of conduct regarding Directors' securities transactions on terms less exacting than the required standard set out in the Model Code set out in Appendix 10 to the Listing Rules. After having made specific enquiry of all Directors of the Company, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2006 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

The Group's audited consolidated financial statements for the year ended 31 December 2006 have been reviewed by the Audit Committee and audited by Messrs. Deloitte Touche Tohmatsu.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.fulbond.com). The 2006 Annual Report will be despatched to our shareholders on or before Monday, 30 April 2007 and will be available at the websites of the Stock Exchange and the Company.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks to our shareholders, members of the former board as well as the new board, fellow staff, customers, suppliers and business associates for their continued support to the Group. We look forward to achieving better results in the coming year and generating satisfactory returns for shareholders.

By order of the Board
Zhang Xi
Chairman

Hong Kong, 24 April 2007

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

Please also refer to the published version of this announcement in The Standard.