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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

**If you have sold or transferred** all your shares in **Fulbond Holdings Limited**, you should at once hand this circular and the enclosed proxy form to the purchaser or the transferee or to the bank, stockbroker or other registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser and transferee.

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**Fulbond Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1041)**

**PROPOSED PLACING OF CONVERTIBLE NOTES  
UNDER SPECIFIC MANDATE**

**AND**

**NOTICE OF SPECIAL GENERAL MEETING**

**Placing agent**



**KINGSTON SECURITIES LIMITED**

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A letter from the Board is set out on pages 5 to 16 of this circular.

A notice convening a special general meeting of Fulbond Holdings Limited (the "Company") to be held at Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 16 October 2009 at 11:00 a.m. or any adjournment thereof is set out on pages 17 to 19 of this circular. A proxy form for use in the special general meeting is enclosed. Whether or not you propose to attend the special general meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the special general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish.

Hong Kong, 28 September 2009

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context otherwise requires:*

“Acquisition”	proposed acquisition of certain equity interests in the Target Companies by the Company
“Adjustment”	possible adjustments to (i) the conversion price of the Wise Virtue Convertible Note and Sun Boom Convertible Notes and (ii) the subscription price of the Warrants as a result of the Placing
“Board”	the board of Directors
“Business Day”	any day (not being a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for business
“Company”	Fulbond Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	the meaning ascribed thereto under the Listing Rules
“Conversion Shares”	those shares to be issued upon the exercise of the conversion rights under the Fulbond Convertible Notes, namely, a maximum of 80,000,000,000 new Shares falling to be issued if the conversion rights attached to the Fulbond Convertible Notes are exercised in full at the conversion price of HK\$0.01 per Share (subject to adjustment)
“Convertible Notes”	Wise Virtue Convertible Note, Sun Boom Convertible Notes and Fulbond Convertible Notes
“Director(s)”	the director(s) of the Company
“Dissenting Director”	Mr. Cheng Wyman, Paul, a director of Sun Boom, the holder of the Sun Boom Convertible Notes, and who disagreed to the discount to the market price under the conversion price and the Shareholders’ dilution effect under the Placing
“First Tranche Fulbond Convertible Notes”	the convertible redeemable notes to be issued by the Company in the maximum aggregate principal amount of HK\$450,000,000 due on Maturity Date

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## DEFINITIONS

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“Fulbond Convertible Notes”	the convertible redeemable notes to be issued by the Company in the maximum aggregate principal amount of HK\$800,000,000 due on Maturity Date comprising the First Tranche Fulbond Convertible Notes and the Second Tranche Fulbond Convertible Notes
“Group”	the Company and its subsidiaries
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	third parties independent of the Company and connected persons of the Company
“Land”	a parcel of land with an aggregate area of 400,000 m <sup>2</sup> located at the Golden Pebble Beach Tourist & Vacation Zone of the Economic and Technological Development Zone of Dalian, Liaoning Province, the PRC
“Last Trading Date”	6 August 2009, being the date of the Placing Agreement, which is a Stock Exchange trading day
“Latest Practicable Date”	23 September 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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 relevant special general meetings of the Company to consider and approve, inter alia, the relevant specific mandate(s) for the allotment and issue of Shares under the First Tranche Fulbond Convertible Notes and the Second Tranche Fulbond Convertible Notes or if such date is not a Business Day, the immediate preceding Business Day
“Maturity Date”	the date falling upon the expiry of three years from the date on which the Fulbond Convertible Notes is first issued or if such date is not a Business Day, the immediate preceding Business Day
“Noteholder(s)”	the holder(s) of the Fulbond Convertible Notes

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## DEFINITIONS

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“Placee(s)”	any professional, institutional or other investor(s) procured by the Placing Agent to subscribe for the Fulbond Convertible Notes
“Placing”	the placing of the Fulbond Convertible Notes by the Placing Agent on a best efforts basis
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (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 a side letter made between the Company and the Placing Agent on 24 September 2009)
“PRC”	the People’s Republic of China
“Second Tranche Fulbond Convertible Notes”	the convertible redeemable notes to be issued by the Company in the maximum aggregate principal amount of HK\$350,000,000 due on Maturity Date
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	a special general meeting of the Company to be held to consider the Placing and the transactions contemplated therein
“Share(s)”	ordinary share(s) of US\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the authority to issue and allot such amount of new Shares deliverable upon conversion of the First Tranche Fulbond Convertible Notes to satisfy all the conversion rights of holders of the First Tranche Fulbond Convertible Notes pursuant to a Shareholders’ resolution to be proposed at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning given to that term in the Listing Rules

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## DEFINITIONS

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“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 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)
“Target Companies”	two PRC-incorporated companies which jointly own the state-owned land use rights of the Land
“Warrants”	up to 1,500,000,000 unlisted warrants issued by the Company at the price of HK\$0.001 per unit, each entitles the holder thereof to subscribe for one Share at the subscription price of HK\$0.074 per Share (subject to adjustment) at any time during a period of 30 months commencing from 21 January 2008, the date of issue of the Warrants
“Wise Virtue”	Wise Virtue Holdings Limited, a company incorporated in the British Virgin Islands and holder of the 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)
“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

*Translation of Renminbi into Hong Kong dollars is based on the exchange rate of RMB1.00 = HK\$1.13. Translation of US dollars into Hong Kong dollars is based on the exchange rate of US\$1.00 = HK\$7.75.*

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## LETTER FROM THE BOARD

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### Fulbond Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1041)**

*Executive Directors:*

Mr. Zhang Xi (*Chairman*)  
Mr. Cheng Wyman Paul (*Chief Executive Officer*)  
Ms. Catherine Chen (*Managing Director*)  
Mr. Yeung Kwok Yu  
Mr. Lee Sun Man

*Independent Non-Executive Directors:*

Mr. Hong Po Kui, Martin  
Mr. Yu Pan  
Ms. Ma Yin Fan  
Mr. Leung Hoi Ying

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*

Unit 2807, 28/F  
The Center  
99 Queen's Road Central  
Central  
Hong Kong

28 September 2009

*To the Shareholders*

Dear Sir or Madam,

### **PROPOSED PLACING OF CONVERTIBLE NOTES**

#### **INTRODUCTION**

On 6 August 2009, the Company announced that the Placing Agreement was entered into between the Company and the Placing Agent whereby the Placing Agent has conditionally agreed to place, on a best efforts basis, the Fulbond Convertible Notes in a maximum aggregate principal amount of HK\$800,000,000 to not less than six Placées. The Company further announced the proposed structure of the Placing on 25 September 2009.

The purpose of this circular is to provide you with information on the Placing, to set out the notice of SGM and to seek Shareholders' approval on the issue of the Fulbond Convertible Notes and the Specific Mandate.

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## LETTER FROM THE BOARD

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### PLACING OF FULBOND CONVERTIBLE NOTES

#### Date of Placing Agreement

6 August 2009 (as supplemented and amended by a side letter entered into between the same parties on 24 September 2009)

#### Parties

The Company and Placing Agent

#### Placing Agent

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

The Board (other than the Dissenting Director who is a director of Sun Boom, the holder of the Sun Boom Convertible Notes, and who disagreed to the discount to the market price under the conversion price and the Shareholders' dilution effect under the Placing) is of the view that the terms and conditions of the Placing and the Placing Agreement (including but not limited to the placing commission) are fair and reasonable, on normal commercial terms and in the interest of the Company and its shareholders as a whole.

#### Placees

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

#### Conditions of the Placing

The Placing of the First Tranche Fulbond Convertible Notes and the Second Tranche Fulbond 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;
- (b) the granting of approval by the Shareholders on the Placing Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Fulbond Convertible Notes and the allotment and issue of the Conversion Shares) at the SGM; and



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## LETTER FROM THE BOARD

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- (c) (if so required by the laws of Bermuda) the approval of the Bermuda Monetary Authority for the issue of the Fulbond Convertible Notes and the Conversion Shares issuable on conversion of the Fulbond Convertible Notes has been obtained.

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

### **Undertaking by the Placing Agent**

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

### **Termination and force majeure for the Placing**

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

- (a) any material breach of any of the representations and warranties set out in the Placing Agreement; or
- (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the Placing Agreement or circulars relating to the placing of the Fulbond Convertible Notes and in the ancillary agreements thereto; or
- (c) any of the following events:
  - (i) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
  - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the

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## LETTER FROM THE BOARD

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system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which would, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the placing of the Fulbond Convertible Notes by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the placing of Fulbond Convertible Notes; or

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

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

### **Completion of the Placing**

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

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

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## LETTER FROM THE BOARD

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### **The Fulbond Convertible Notes**

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

#### ***Principal amount***

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

#### ***Interest***

The Fulbond Convertible Notes will be non-interest bearing.

#### ***Maturity date***

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

#### ***Denomination***

HK\$1,000,000 each

#### ***Conversion price***

The conversion price, subject to the adjustment, shall be HK\$0.01 per Conversion Share. The conversion price of the Fulbond Convertible Notes was arrived at after arm's length negotiations between the Company and the Placing Agent and with reference to the market price of the Shares and the net asset value of the Company. The conversion prices of the Fulbond Convertible Notes may be adjusted upon occurrence of adjustment events, which include consolidation or sub-division of Shares, capitalisation of profits or reserves, capital distributions in cash or specie, rights issues or grant of options or warrants to subscribe for new Shares at a price which is less than 60% of the market price, issue for cash of securities which are convertible into or exchangeable for or carry rights of subscription for new Shares or modification of rights of conversion or exchange or subscription attached to such securities such that the total effective consideration per Share initially receivable for such securities is less than 80% of the market price, issue Shares for cash at a price per Share which is less than 80% of the market price, issue shares for the acquisition of assets at a total effective consideration per Share which is less than 80% of the market price, and will in any event not be adjusted below the par value of the Share. In addition, every adjustment to the conversion price shall be certified (at the option of the Company) either by the auditors of the Company for the time being or by an approved merchant bank.

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

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## LETTER FROM THE BOARD

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approximately 74.36% to the average of the closing price per Share of HK\$0.039 as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date; and (iv) a discount of approximately 72.22% to the closing price of HK\$0.036 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

### *Conversion*

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

No conversion shall be made by the Noteholder unless (i) the Noteholder provides, to the reasonable satisfaction of the Company, evidence that such Noteholder and its parties acting in concert (as defined under The Codes on Takeovers and Mergers and Share Repurchases) will not be beneficially interested in 30% or more of the then issued share capital and/or the voting rights of the Company; and (ii) the Company will be able to comply with the public float requirements under the Rule 8.08 of the Listing Rules, immediately upon conversion.

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

### *Ranking*

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

### *Redemption by the Company*

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

### *Status of the Fulbond Convertible Notes*

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

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## LETTER FROM THE BOARD

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### *Transferability*

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

### *Voting Rights*

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

### *Listing*

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

### *Specific Mandate*

The Shares to be issued pursuant to conversion of the First Tranche Fulbond Convertible Notes will be, if approved by the Shareholders at the SGM, allotted and issued under the Specific Mandate. The Company will separately seek the Shareholders' approval for the issue and allotment of the Shares to be issued pursuant to conversion of the Second Tranche Fulbond Convertible Notes.

## **STRUCTURE OF THE PLACING**

The Company intends to proceed with the Placing in two tranches namely, the First Tranche Fulbond Convertible Notes and the Second Tranche Fulbond Convertible Notes. Both the First Tranche Fulbond Convertible Notes and the Second Tranche Fulbond Convertible Notes fall under the Placing subject to and upon the terms and conditions under the Placing Agreement.

Under the placing of the First Tranche Fulbond Convertible Notes, the Fulbond Convertible Notes up to the aggregate principal amount of HK\$450,000,000 will be placed by the Placing Agent on a best efforts basis. The proceeds under this tranche of Placing will be reserved for redemption of existing convertible notes of the Company and will be used to strengthen the cash position of the Company for working capital of the Company as mentioned below. The SGM will be convened for the purpose of seeking the Shareholders approval on the issue of the Fulbond Convertible Notes and the Specific Mandate for allotment and issue of Shares under the First Tranche Fulbond Convertible Notes.

The placing of the Second Tranche Fulbond Convertible Notes up to the aggregate principal amount of HK\$350,000,000 will proceed upon finalization of the Group's Acquisition in respect of the PRC property development project in Dalian, Liaoning Province, the PRC as mentioned below. The net proceeds under the placing of the Second Tranche Fulbond Convertible Notes will be applied for such Acquisition. Upon finalization

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## LETTER FROM THE BOARD

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of the terms of such Acquisition, the Company will issue a circular and will proceed to convene a further special general meeting whereby the Acquisition and a specific mandate for the allotment and issue of Shares under the Second Tranche Fulbond Convertible Notes will be considered and approved (if appropriate) by the Shareholders.

### REASONS FOR AND BENEFIT OF THE PLACING AND USE OF PROCEEDS

#### Overview

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

At present, the Company is considering to participate in a PRC property development project in Dalian, Liaoning Province, the PRC by acquiring certain equity interests in the Target Companies, which together own the state-owned land use rights of the Land with an aggregate area of 400,000 m<sup>2</sup>. The Land is being jointly developed by the Target Companies involving construction of villas and luxurious houses in several phases. Phase I of the development of the Land has been completed whereas the Planning Permit for Construction Works in relation to phase II of the development of the Land has already been obtained. The terms of the Acquisition are still under negotiations. **Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

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

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

#### Use of Proceeds

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

- (i) up to HK\$150,000,000 to redeem existing convertible notes of the Company in due course so as to reduce the liability of the Company; and

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## LETTER FROM THE BOARD

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

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

### **Reasons for and benefits of the Placing**

The Company is encountering a weak financial position with tight cashflow. As reflected in the annual report of the Company for the year ended 31 December 2008, the Company has recorded loss amounted to US\$32,254,000 (approximately HK\$249,968,500) with a negative net asset value of US\$11,679,000 (approximately HK\$90,512,250). In addition, the existing outstanding convertible notes of the Company in the aggregate principal amount of approximately HK\$310.6 million together with interests of approximately HK\$18 million accrued thereon may be repayable upon demand by the noteholders at any time. In view of the abovementioned reasons, it is crucial for the Company to obtain further funding.

## LETTER FROM THE BOARD

The Board (other than the Dissenting Director for the reasons as mentioned above) considers that the Placing is conducted in the best interest of the Company in view of the prevailing market conditions and that the recent market sentiment represents a good timing for the Placing. The Company has considered obtaining bank loans from certain banking institutions and has explored the possibility of other fund raising activities, such as rights issue, with certain financial institutions. Such loan facilities and other fund raising activities have however not been finalized as either the banks rejected the Company's request for loan facility or condition imposed by the bank relating to the grant of facility could not be satisfied and certain other financial institutions expressed no interests in acting as underwriter or placing agent in fund raising exercises of the Company. The Board (other than the Dissenting Director for the reasons as mentioned above) therefore considered that the issue of the Fulbond Convertible Notes is an appropriate means of raising additional capital for the Company since it will provide the Company with immediate funding. In addition, the Placing gives the opportunity to the Company to broaden its shareholder and capital base and strengthen the cash position of the Company. Accordingly, the Board (other than the Dissenting Director for the reasons as mentioned above) considers that the Placing is fair and reasonable to the Shareholders and the Company as a whole.

### EFFECT ON SHAREHOLDING STRUCTURE

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

Shareholders	As at the Latest Practicable Date		Upon full conversion of the First Tranche Fulbond Convertible Notes		Upon full conversion of the Fulbond Convertible Notes		Upon full conversion of the Fulbond Convertible Notes and the Wise Virtue Convertible Note (without taking into account the Adjustment)		Upon full conversion of the Convertible Notes (without taking into account the Adjustment)		Upon full conversion of the Convertible Notes and full exercise of the subscription rights attaching to the Warrants (without taking into account the Adjustment)	
	No. of Shares held Shares	Approximate shareholding percentage %	No. of Shares held Shares	Approximate shareholding percentage %	No. of Shares held Shares	Approximate shareholding percentage %	No. of Shares held Shares	Approximate shareholding percentage %	No. of Shares held Shares	Approximate shareholding percentage %	No. of Shares held Shares	Approximate shareholding percentage %
Zhang Xi (Note 1)	1,592,826,000	12.30	1,592,826,000	2.75	1,592,826,000	1.71	1,592,826,000	1.70	1,592,826,000	1.65	1,592,826,000	1.62
Li Geng	1,656,840,000	12.79	1,656,840,000	2.86	1,656,840,000	1.78	1,656,840,000	1.76	1,656,840,000	1.72	1,656,840,000	1.69
<b>Public Shareholders</b>												
Wise Virtue (Note 2)	-	-	-	-	-	-	933,316,976	0.99	933,316,976	0.97	933,316,976	0.95
Sun Boom	-	-	-	-	-	-	-	-	2,680,308,139	2.78	2,680,308,139	2.73
Holders of Fulbond Convertible Notes (Note 3)	-	-	45,000,000,000	77.65	80,000,000,000	86.06	80,000,000,000	85.21	80,000,000,000	82.84	80,000,000,000	81.58
Places of Warrants	-	-	-	-	-	-	-	-	-	-	1,500,000,000	1.53
Other public shareholders	9,704,953,755	74.91	9,704,953,755	16.75	9,704,953,755	10.45	9,704,953,755	10.34	9,704,953,755	10.04	9,704,953,755	9.90
<b>Total</b>	<b>12,954,619,755</b>	<b>100.00</b>	<b>57,954,619,755</b>	<b>100.00</b>	<b>92,954,619,755</b>	<b>100.00</b>	<b>93,887,936,731</b>	<b>100.00</b>	<b>96,568,244,870</b>	<b>100.00</b>	<b>98,068,244,870</b>	<b>100.00</b>



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## LETTER FROM THE BOARD

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*Notes:*

1. Mr. Zhang Xi is an executive Director and chairman of the Company.
2. Wise Virtue is wholly and beneficially owned by Ms. Lam So Ying.
3. The figures set out in the table are for illustrative purposes only. Pursuant to the terms of the Fulbond Convertible Notes, no conversion shall be made by the Noteholder unless (i) the Noteholder provides, to the reasonable satisfaction of the Company, evidence that such Noteholder and parties acting in concert with it (as defined under The Codes on Takeovers and Mergers and Share Repurchases) will not be beneficially interested in 30% or more of the then issued share capital and/or the voting rights of the Company; and (ii) the Company will be able to comply with the public float requirements under the Rule 8.08 of the Listing Rules, immediately upon conversion.
4. The percentages may not add up to 100% due to rounding.

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

### **FUND RAISING IN THE 12 MONTHS IMMEDIATELY PRECEDING THE LATEST PRACTICABLE DATE**

The Company has not undertaken any fund raising exercises in the 12 months immediately preceding the Latest Practicable Date.

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

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

### **GENERAL**

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

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

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## LETTER FROM THE BOARD

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### SGM

A SGM will be held at Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 16 October 2009 at 11:00 a.m. or any adjournment thereof, for the purpose of considering and, if thought fit, approving, by way of poll, among other things, by ordinary resolution on the Placing Agreement and the transactions contemplated thereunder (including but not limited to the issue of the First Tranche Fulbond Convertible Notes and the allotment and issue of the Conversion Shares pursuant to conversion of the First Tranche Fulbond Convertible Notes). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting at the SGM.

The notice of the SGM is set out in pages 17 to 19 of this circular. A proxy form for use in the SGM is enclosed. Whether or not you propose to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

### RECOMMENDATION

The Directors (other than the Dissenting Director for the reasons as mentioned above) are of the view that the terms of the proposed Placing are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors (other than the Dissenting Director for the reasons as mentioned above) recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM.

### RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

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

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## NOTICE OF SPECIAL GENERAL MEETING

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### Fulbond Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1041)**

**NOTICE IS HEREBY GIVEN** that a special general meeting (“SGM”) of Fulbond Holdings Limited ( the “Company”) will be held at Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 16 October 2009 at 11:00 a.m. or any adjournment(s) thereof, for the purpose of considering and, if thought fit, passing with or without modification, the following resolution as ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

1. **“THAT**

- (a) the creation and issue by the Company of a non-interest bearing convertible redeemable notes (“**Convertible Notes**”) in the maximum aggregate principal sum of HK\$800,000,000 due on the date falling on the expiry of three years from the date on which the Convertible Notes is first issued, convertible into new shares in the capital of the Company on and subject to the terms and conditions (“**CN Conditions**”) contained in the placing agreement dated 6 August 2009 (as supplemented and amended by a side letter made between the Company and the placing agent on 24 September 2009) (“**Placing Agreement**”) (a copy of which has been produced to this meeting marked “A” and initialled by the chairman of the meeting for the purpose of identification) between the Company and the placing agent, Kingston Securities Limited (as may be amended from time to time) in respect of, inter alia, the placing of the Convertible Notes be and is hereby generally and unconditionally approved in all respects;
- (b) the Placing Agreement and all the transactions contemplated thereunder and all other matters of and incidental thereto or in connection therewith be and are hereby generally and unconditionally approved, ratified and confirmed in all respects and the directors of the Company be and are hereby generally and specifically authorized to issue the Convertible Notes on and subject to the terms of the Placing Agreement (as may be amended from time to time) and the CN Conditions;
- (c) the directors of the Company be and are hereby generally and specifically authorized to issue Convertible Notes approved to be issued under paragraph (a) of this resolution up to the maximum aggregate principal sum of HK\$450,000,000 (“**First Tranche Convertible Notes**”) and to allot and issue such number of new shares (“**Specific Mandate**”) as may be required to be allotted and issued upon exercise of the conversion rights attaching to the First Tranche Convertible Notes on and subject to the terms and

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## NOTICE OF SPECIAL GENERAL MEETING

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conditions of the Placing Agreement (as may be amended from time to time) and the CN Conditions. The Specific Mandate is in addition to, and shall not prejudice nor revoke the existing general mandate granted to the directors of the Company by the shareholders of the Company in the annual general meeting of the Company held on 25 June 2009 or such other general or specific mandate(s) that may have been granted to the directors of the Company prior to the passing of this resolution;

- (d) any one director of the Company be and is hereby authorized to sign, seal, execute, perfect, deliver all such documents and to do all such things and acts (including but not limited to the extension of the long stop date for satisfaction of the condition precedent for completion of placing of the relevant Convertible Notes) as he may in his discretion consider necessary, expedient or desirable to effect (i) the transactions contemplated under the Placing Agreement (as may be amended from time to time) and the issue of the Convertible Notes and/or (ii) the amendment, variation or modification of the Placing Agreement (as may be amended from time to time) (including any amendment, variation or modification of the CN Conditions) upon such terms and conditions as the board of directors of the Company may think fit; and
- (e) in the event that completion of the issue of the First Tranche Convertible Notes has not taken place in full by a date falling on the expiry of 3 calendar months after the passing of this resolution (the “Expiry Date”), the authorization and approval granted under this resolution shall be revoked and shall expire by the end of the Expiry Date provided that nothing shall affect the Placing Agreement, the Specific Mandate and the transactions contemplated hereunder that has taken place on or before the Expiry Date (including but not limited to the issue of the First Tranche Convertible Notes under partial completion) and the transactions contemplated to take place after the Expiry Date as a result thereof (including but not limited to the allotment and issue of the new shares as may be required to be allotted and issued upon exercise of the conversion rights attaching to the First Tranche Convertible Notes in issue on the Expiry Date), and the authorization and approval granted under this resolution in respect thereof shall remain valid and shall be in full force and effect in all respects accordingly.”

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

Hong Kong, 28 September 2009

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## NOTICE OF SPECIAL GENERAL MEETING

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*Head Office and principal place of  
business in Hong Kong:*

Unit 2807, 28/F,  
The Center  
99 Queen's Road Central  
Central  
Hong Kong

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Notes:*

1. A member of the Company entitled to attend and vote at the SGM convened by the notice of SGM is entitled to appoint one proxy or more proxies to attend and, on a poll, vote instead of him at the SGM. A proxy need not be a member of the Company.
2. To be valid, a form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof.
3. In the case of joint holders of any Share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, then one of the said persons so present whose name stands first on the register in respect of such Share shall alone be entitled to vote in respect thereof.
4. Completion and return of this accompanying form of proxy will not preclude you from attending and voting at the SGM in person should you so wish.

*As at the date of this notice, the Board comprises five executive Directors, namely Mr. Zhang Xi, Mr. Cheng Wyman Paul, Ms. Catherine Chen, Mr. Yeung Kwok Yu and Mr. Lee Sun Man; and four independent non-executive Directors, namely Mr. Hong Po Kui, Martin, Mr. Yu Pan, Ms. Ma Yin Fan and Mr. Leung Hoi Ying.*