
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **FULBOND HOLDINGS LIMITED** (the “Company”), you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Fulbond Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1041)

DISCLOSEABLE AND CONNECTED TRANSACTION

A letter from the board of directors of the Company is set out on pages 3 to 6 of this circular.

21st January 2008

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DEFINITIONS

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

“associates”	as defined under the Listing Rules
“Board”	the board of Directors
“Company”	Fulbond Holdings Limited, a company incorporated in Bermuda and the issued Shares of which are listed on the main board of the Stock Exchange
“Connected Person(s)”	as defined under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Jilin Fuchun”	吉林省福春木業有限公司 (Jilin Province Fuchun Timber Co., Ltd.*), a sino-foreign equity joint venture established in the PRC
“Jilin Forest”	中國吉林森林工業集團有限責任公司 (Jilin Forest Industrial Group Limited*), a company incorporated in the PRC
“Latest Practicable Date”	17th January 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (which, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Settlement Agreement”	the settlement agreement dated 19th December 2007 entered into between Jilin Fuchun and Jilin Forest regarding the settlement arrangement for the Debt owed by Jilin Fuchun to Jilin Forest

* For identification purpose only

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of US\$0.001 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

In this circular, the translation of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.06.

LETTER FROM THE BOARD



Fulbond Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1041)

Executive Directors:

Mr. Zhang Xi
Ms. Zhang Huafang
Mr. Cai Duanhong
Ms. Catherine Chen

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Independent non-executive Directors:

Mr. Hong Po Kui, Martin
Mr. Yam Tak Fai, Ronald
Mr. Wong Man Hin, Raymond

Head office and principal

place of business in Hong Kong:
Unit 2805, 28th Floor
The Center
99 Queen's Road Central
Central
Hong Kong

21st January 2008

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

On 2nd January 2008, the Company announced that Jilin Fuchun, an indirect 55% owned subsidiary of the Company, entered into the Settlement Agreement with Jilin Forest on 19th December 2007 whereby Jilin Fuchun agreed to transfer the Assets (as defined below) to Jilin Forest in order to settle the Debt (as defined below).

The Settlement Agreement constitutes a discloseable and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules. Since each of the relevant percentage ratio is more than 2.5% but less than 25% and the total consideration is less than HK\$10,000,000, the Settlement Agreement is subject to the reporting and announcement requirements but is exempted from the independent Shareholders' approval requirements under the Listing Rules.

BACKGROUND

On 6th December 2005, Jilin Forest had entered into a guarantee agreement with an independent third party whereby Jilin Forest agreed to guarantee in favour of Jilin Fuchun a loan amount of RMB10,000,000 with accrued interests, being the same amount of the obligations of Jilin Fuchun under a loan agreement entered into between Jilin Fuchun and the independent third party on the same date (the "Previous Loan Agreement"). Since Jilin

LETTER FROM THE BOARD

Fuchun had financial difficulties and was unable to repay the loan under the Previous Loan Agreement, Jilin Forest had settled the loan with accrued interests for and on behalf of Jilin Fuchun on 13th July 2007. The outstanding loan amount with accrued interests due to Jilin Forest from Jilin Fuchun is RMB9,200,000 (the “Debt”). On 19th December 2007, Jilin Fuchun entered into the Settlement Agreement with Jilin Forest, pursuant to which Jilin Fuchun agreed to transfer the Assets (as defined below) to Jilin Forest as consideration in order to settle the Debt.

THE SETTLEMENT AGREEMENT

Date: 19th December 2007

Parties: Jilin Fuchun, an indirect 55% owned subsidiary of the Company; and
Jilin Forest, a PRC holding company which indirectly owns 45% of Jilin Fuchun, is a Connected Person of the Company

Assets to be transferred of:

Pursuant to the Settlement Agreement, Jilin Fuchun has agreed to transfer certain lands and buildings (the “Properties”) and machineries and equipments (the “Equipments”) of Jilin Fuchun (together, the “Assets”) to Jilin Forest. The Properties comprise 3 parcels of lands with total land area of approximately 24,800 square metres and 18 blocks of buildings located at Yumin Road, Erdao District, Changchun, Jilin Province, the PRC with total gross floor area of approximately 9,777 square metres. The Equipments which comprise of hydraulic presses, trimming and dividing saw, planning machines, drilling machines, steam pumps, gluing machines, drying kilns, boilers and supported with other ancillary equipment are located in the production facilities at Nos. 4, 5 & 18 Yumin Road, Erdao District, Changchun, Jilin Province, the PRC. All Equipments are used for the production of wooden boards and all Properties are occupied by Jilin Fuchun as wooden board production plants.

Pursuant to a valuation report prepared by an independent professional valuer (which to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, is not a Connected Person of the Company and is independent of the Company), the market value of the Properties in existing state and the fair market value of the Equipments in continued use as at 30th November 2007 are RMB2,100,000 (approximately HK\$2,226,000) and RMB2,840,000 (approximately HK\$3,010,400) respectively. The independent professional valuer adopted the cost method to value the Properties and adopted the depreciated replacement cost approach to value the Equipments.

LETTER FROM THE BOARD

Consideration:

The transfer of Assets was made for nil cash consideration. Pursuant to the Settlement Agreement, Jilin Forest agreed to accept the Assets as full and final settlement of the Debt owed by Jilin Fuchun. Jilin Forest undertakes that it shall not have any claim against Jilin Fuchun under the Settlement Agreement after the Assets have been transferred to Jilin Forest.

The terms of the Settlement Agreement were determined by the parties thereto with reference to the financial situation of Jilin Fuchun. According to the unaudited book records of Jilin Fuchun, the net book values of the Properties and the Equipments were RMB306,148 (approximately HK\$324,517) and RMB2,891,157 (approximately HK\$3,064,626) respectively as at 31st October 2007. Therefore, the total net book value of the Assets of Jilin Fuchun to be transferred was RMB3,197,305 (approximately HK\$3,389,143) as at 31st October 2007. As a result of the Settlement Agreement, the Company will have an estimated gain of RMB6,002,695 (approximately HK\$6,362,857), calculated as the difference between the amount of Debt of RMB9,200,000 and the aggregate of the book values of the Assets as at 31st October 2007 of RMB3,197,305 (approximately HK\$3,389,143).

REASONS FOR ENTERING INTO THE SETTLEMENT AGREEMENT

Jilin Fuchun has been undergoing a very difficult operating environment in the past few years with an increase in operating and overhead costs coupled with strong competition in the timber industry. In view of the sharp increase in raw materials and energy costs in recent years and the continuous appreciation of RMB, the operating and production costs of the manufacturing bases in the PRC have been increasing. Jilin Fuchun did not have sufficient cashflow to settle the Debt owed to Jilin Forest. Therefore, the directors of Jilin Fuchun decided that it is more practical for Jilin Fuchun to transfer the Assets to Jilin Forest in order to settle the Debt. The transfer of the Assets by Jilin Fuchun will not have any material adverse impact to the Group since Jilin Fuchun has ceased production since July 2007. Upon cessation of the production, the remaining business of Jilin Fuchun is the sale of finished wooden products and the remaining business of the Group is the manufacturing and sale of wooden products. The Directors (including the independent non-executive Directors) consider that the transfer of the Assets is beneficial to the Company and the Shareholders as a whole and the terms and conditions of the Settlement Agreement are fair and reasonable so far as the Shareholders are concerned.

LETTER FROM THE BOARD

FINANCIAL INFORMATION OF JILIN FUCHUN

Based on the audited financial information prepared in accordance with generally accepted accounting principles in Hong Kong, the turnover and net profit/(loss) after taxation attributable to the Assets for the two financial years preceding the transfer of the Assets are set out as follows:

	Year ended 31st December 2005 <i>RMB</i> (approximate)	Year ended 31st December 2006 <i>RMB</i> (approximate)
Turnover	46,333,000	33,946,000
Net profit/(loss) after taxation	1,095,000	(3,905,000)

INFORMATION OF THE PARTIES

The Group is principally engaged in the manufacturing and sale of wooden products.

Jilin Fuchun, an indirect 55% owned subsidiary of the Company, is a joint venture company incorporated in the PRC and its principal business activities are the manufacturing and sale of wooden products.

Jilin Forest, a PRC holding company which indirectly owns 45% equity interests in Jilin Fuchun, is a Connected Person of the Company. The principal business activities of Jilin Forest are consortium of timber business, mainly forest processing, plantation, manufacturing of timber products, machineries and others.

FINANCIAL EFFECTS TO THE COMPANY

As stated in the sub-section headed "Consideration" under the section headed "The Settlement Agreement" above, the Company will have an estimated gain of RMB6,002,695 (approximately HK\$6,362,857) after the completion of the Settlement Agreement. It is expected that the Settlement Agreement will not have any material impact on the assets and liabilities of the Group. The total assets of the Company will be decreased by RMB3,197,305 (approximately HK\$3,389,143) and the total liabilities of the Company will be decreased by RMB9,200,000 immediately upon completion of the Settlement Agreement.

GENERAL

Your attention is drawn to the general information as set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board
Zhang Xi
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register kept by the Company; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long positions in Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company
Mr. Zhang Xi	Interest of controlled corporation (<i>Note</i>)	2,792,826,000	30.36%

Note: Mr. Zhang Xi is the beneficial owner of 2,792,826,000 Shares. He is deemed to be interested in those Shares which are held by Civil Talent International Limited (“CTIL”), the entire issued share capital of which is beneficially owned by him.

(ii) Share options of the Company

The Company adopted a share option scheme as approved in a special general meeting on 19 November 2001 under which the Board may, at their discretion, invite any executive directors, non-executive directors, executives, employees of the Group and any other persons who have contributed or will contribute to the Group to take up share options to subscribe for Shares subject to the terms and conditions stipulated in the share option scheme. Details of share options granted to the Directors as at the Latest Practicable Date are as follows.

Name of Director	Date of grant	Exercise price per share	Number of share options as at the Latest Practicable Date	Exercisable from	Exercisable until
Mr. Zhang Xi	13 July 2007	HK\$0.153	32,353,000	13 July 2007	18 November 2011
Ms. Catherine Chen	13 July 2007	HK\$0.153	91,617,000	13 July 2007	18 November 2011

(iii) Share options to subscribe for shares in Wood Art International Corporation (“Wood Art”)

Pursuant to the Company’s shareholders’ approval in the special general meeting held on 18 June 2004, the share options scheme of Wood Art, a subsidiary of the Company, became effective. As at the Latest Practicable Date, there were no outstanding share options to subscribe for shares in Wood Art.

Save as disclosed above, none of the Directors were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholder

As at the Latest Practicable Date, so far as is known to the Directors, the following person had, or was deemed or taken to have, an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any other member of the Group:

Long positions in Shares

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company
CTIL (<i>Note</i>)	Beneficial owner	2,792,826,000	30.36%

Note: Mr. Zhang Xi, an executive Director, is a sole director and beneficial owner of CTIL.

Save as disclosed above, the Directors are not aware of any person, who, as at the Latest Practicable Date, had interests or short positions in the Shares, underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

4. DIRECTOR'S SERVICE CONTRACTS

Each of Mr. Zhang Xi ("Mr. Zhang"), Ms. Zhang Huafang ("Ms. Zhang"), Mr. Cai Duanhong ("Mr. Cai") and Ms. Catherine Chen ("Ms. Chen") has entered into a service contract with the Company. Each of the service contract of Mr. Zhang, Ms. Zhang and Mr. Cai was effective on 11th December 2006 and the service contract of Ms. Chen was effective on 2nd January 2007. Brief particulars of these service contracts are set out as follows:

- (a) the term of each of the service contract shall be for a term of three years;

- (b) each of the service contract may be terminated by either party giving to the other party not less than three months' written notice and the effective date shall be the date specified in the written notice;
- (c) each of Mr. Zhang, Ms. Zhang, Mr. Cai and Ms. Chen is entitled to a directors' fee of HK\$600,000 per annum and may be entitled to discretionary bonuses which are conditional and limited to 1% of the profit after taxation and minority interests but before extraordinary items and exceptional items (before the deductions of any discretionary bonuses, remuneration and benefits) of the Group for a particular financial year; and
- (d) each of the service contract provides for management bonus in respect of each financial year of the Company in an amount to be determined by the Board in its absolute discretion.

Each of the independent non-executive Directors, being Mr. Hong Po Kui, Martin, Mr. Yam Tak Fai, Ronald and Mr. Wong Man Hin, Raymond entered into a letter of appointment with the Company on 11 December 2006 for appointment as independent non-executive Director for a term of 3 years commencing on 11 December 2006, unless and until such employment is terminated by the Company or by the relevant independent non-executive Director by giving at least three calendar month's prior notice in writing. Each of the independent non-executive Directors is entitled to a director's fee of HK\$240,000 per annum.

Save as disclosed above, none of the Directors has entered until any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31st December 2006, the date to which the latest published audited financial statements of the Company were made up.

6. DIRECTORS' INTERESTS IN CONTRACT

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interests in a business, which competed or may compete, either directly or indirectly, with the business of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31st December 2006, the date to which the latest published audited consolidated financial statements of the Company had been made up.

9. MISCELLENEOUS

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The head office and principal place of business of the Company in Hong Kong is located at Unit 2805, 28th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong.
- (b) The qualified accountant and the company secretary of the Company is Mr. Ho Yee Kee, Ricky. Mr. Ho is an associate member of the Association of Chartered Certified Accountants and has 13 years of experience in financial investment and corporate management.
- (c) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese version for the purposes of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and principal place of business of the Company at Unit 2805, 28th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong during normal business hours on any weekdays other than public holidays up to and including Monday, 4th February 2008:

- (a) each of the service contract of Mr. Zhang, Ms. Zhang, Mr. Cai and Ms. Chen and the letter of appointment entered into between the Company and each of the independent non-executive Directors, referred to in the paragraph headed "Directors' service contracts" in this appendix;
- (b) the guarantee agreement entered into between Jilin Forest and an independent third party dated 6th December 2005 in relation to the guarantee of a loan amount of RMB10,000,000 with accrued interests by Jilin Forest in favour of Jilin Fuchun referred to in the paragraph headed "Background" in the letter from the Board in this circular;
- (c) the Previous Loan Agreement dated 6th December 2005 referred to in the paragraph headed "Background" in the letter from the Board in this circular; and
- (d) the Settlement Agreement.