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## **FULBOND ANNOUNCED HK\$900 MILLION ACQUISITION OF LITHIUM POWER BUSINESS TO TAP INTO THE HIGH GROWTH MARKET**

Fulbond Holdings Limited (“Fulbond” or “the Company”, stock code: 1041; together with its subsidiaries, “the Group”) announced today that the Group entered into an acquisition agreement to acquire the entire share capital of a lithium power business -- Lithium Energy Group Ltd, for a consideration of HK\$900 million, which will be settled by cash and consideration shares. In addition, within 3 months after the Acquisition completion, the Group has gained an option to acquire shares in a PRC vehicle manufacturing company.

“The acquisition will enable the Group to enter the new energy and new energy automobile industries, being one of the seven strategic industries which have tremendous support from the PRC government under the Twelfth Five-Year Plan. Given the huge growth potential for pure electric vehicles in the PRC and profit target provided by the vendor, we believe the acquisition will create shareholders value and enhance the Group’s business portfolio and earning power,” said Mr Zhang Xi, Chairman of Fulbond.

The vendor has guaranteed to the Company that the audited consolidated net profit of the Lithium Energy Group Ltd and its subsidiaries (collectively “Lithium Energy Group”) for the five financial years immediately after the completion date of the acquisition (including the year of the completion date) to be not less than HK\$1.12 billion in total, with the profit target for 2011 amounting to not less than HK\$70 million.

The vendor and its guarantors have also covenanted to procure a company controlled by the vendor and/or its guarantors (“subject company”) to acquire the registered capital of a PRC vehicle manufacturing company and to grant an option to the Group to acquire the entire or partial equity interests of the subject company within three months after the completion of the acquisition.

The Lithium Energy Group is principally engaged in research and manufacturing of lithium-ion battery; production of power motor and controller; and research and manufacturing of vehicle electronics and controller system. It has operation bases in Jilin, Tangshan and Zhuhai. The Lithium Energy Group has entered into agreements with Tangshan Municipal Government concerning sales of 2,000 pure electric vehicles within three years and will apply for the approval for assembly of 3,000 electric vehicles annually from the Development and Reform Commission of Jilin Province. The total sales amount of these projects is estimated to be more than RMB5 billion.

The Lithium Energy Group possesses a team of experts and consultants comprising professors of reputable universities in the PRC. It will be one of a few Chinese enterprises possessing three core technologies of manufacturing pure electric vehicles, namely lithium-ion battery, power motor and electronic and controller system, which have passed the accreditation of an inspection body recognised by China National Accreditation Service for Conformity Assessment upon completion of the corporate reorganisation of the Target Group. Its research centre has worked together with experts from the United States and other countries to develop the technologies of energy storage cells.

“What we are looking at is not just an acquisition of a new business, but something which will enable us to explore a new realm of energy and electrified transportation. Owing to the environmental-friendly nature of new energy and electric vehicles, the new energy sector is supported by the PRC government policies and is gaining popularity among consumers. Lithium Energy Group has the proven technology and established operations in development and manufacture of lithium power products. The acquisition thus will not only broaden our business scope and income sources, but will also provide us with R&D capabilities and know-how to tap into a high-growth new energy sector,” added Mr Zhang.

To achieve synergy within the Lithium Energy Group and to expand its business in the PRC and overseas markets, Fulbond has formulated a five-year development plan for the Lithium Energy Group, whose business is classified into three segments, namely battery business, power motor and controller equipments and automotive vehicles.

With respect to the battery business, the Group plans to set up 10 production lines to achieve an annual production capacity exceeding 1 billion AH and to reduce the unit cost of production through economies of scale. For the power motor and controller equipments business, the Group intends to set up five production lines to achieve an annual production capacity exceeding 20,000 sets to satisfy the needs of vehicle assembly within the Lithium Energy Group. For the automotive vehicles business, the Group will involve in the vehicle business through cooperation with strategic partners involving in manufacturing of automotive vehicles to achieve an annual production capacity exceeding 10,000 vehicles.

Geographically, the Group plans to expand the Lithium Energy Group’s business in five regions in the PRC, namely northeastern, northern, western, southwestern and southern regions, covering markets in Beijing, Tangshan, Jilin, Chongqing, Guangdong and Sanya. It intends to invest an aggregate amount of approximately RMB2.5 billion (approximately RMB500 million in each region) for achieving an annual production capacity of 20,000 or above new energy vehicles (including battery, power motor and controller equipments). The Group also plans to invest RMB600 million to expand to overseas markets through the development of energy storage battery products and, at the appropriate time, to enter the overseas markets for battery, power motor and controller equipments.

Of the total consideration, HK\$370 million shall be paid in cash and HK\$530 million shall be paid by the issue of shares (“Consideration Shares”) at an issue price of HK\$0.021 per share (or HK\$0.21 per reorganised share after capital reorganisation becoming effective). The consideration will be settled in five stages, and the payment of the consideration is subject to fulfilment of certain conditions including meeting the profit target in each payment stage.

To facilitate the completion of the acquisition, the Company will have a capital reorganisation, placing of shares (“Share Placing”) and convertible notes. The Company intends to use the net proceeds of approximately HK\$1.98 billion from the placing of shares and convertible notes to finance the consideration and the future development of the acquired business, as general working capital of the Group, and/or as funds for the Group’s future investment opportunities.

Following the capital reorganisation, the Company’s share capital structure will be reduced on the basis of every 10 existing shares consolidated into one consolidated share, and following the share consolidation, the par value of each consolidated share will be reduced to US\$0.001 (“Reorganised Share”). Subject to the capital reorganisation becoming effective, the board lot of the existing shares will be changed from 2,000 to 10,000 Reorganised Shares.

To provide funding for its planned business development, the Company will arrange placing of shares and convertible notes, respectively. The Share Placing will involve the placing of a total number of 8,823 million Reorganised Shares (“Placing Shares”) at the placing price of HK\$0.17 per Reorganised Share. The Placing Shares represent approximately 193.3 per cent of the Company’s issued share capital immediately after capital reorganisation and approximately 65.9 per cent of its issued share capital as enlarged by the Share Placing. The Company also proposed to place a maximum aggregate principal amount of HK\$500 million non-interest bearing convertible notes with a maturity of 5 years.

### **About Fulbond**

Listed on the main board of the Hong Kong Stock Exchange in 1996, the Company is engaged in the business of manufacturing and sale of wooden products. In recent years, it has been seeking to expand its business scope with strategic investment in segments with high-growth potential.

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