
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 licensed securities dealer or 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 TRANSACTION
DISPOSAL OF ENTIRE INTERESTS IN AN ASSOCIATED COMPANY

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

15 October 2007

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DEFINITIONS

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

“Agreement”	the share transfer agreement dated 19 September 2007 entered into between Ta Fu Timber and Hubei Timber relating to the transfer of the Sale Shares
“Board”	board of Directors
“Company”	Fulbond Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares listed on the main board of the Stock Exchange
“Completion”	the completion of the sale and purchase of the Sale Shares
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of the Disposal, amounts to RMB2,000,000
“Director(s)”	the directors of the Company
“Disposal”	the disposal of the Sale Shares by Ta Fu Timber pursuant to the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Hubei Fu Han Timber”	湖北福漢木業有限公司 (Hubei Fu Han Timber Limited*), a sino-foreign equity joint venture
“Latest Practicable Date”	12 October 2007, 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”	People’s Republic of China
“Purchaser” or “Hubei Timber”	湖北省木業集團總公司 (Hubei Timber Group Company Limited*), a company incorporated in the PRC with limited liability and is a third parties independent of the Company and the connected persons of the Company

DEFINITIONS

“Sale Shares”	the disposal of a 48% interest in Hubei Fu Han Timber
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of Share(s)
“Share(s)”	share(s) of US\$0.001 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor” or “Ta Fu Timber”	Ta Fu Timber Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“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.

In this circular, sums expressed in RMB have been translated into HK\$ at the rate of RMB1.00 = HK\$1.03

** for identification purpose only.*

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:
Unit 2805, 28/F.,
The Center,
99 Queen's Road Central,
Central, Hong Kong

15 October 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION DISPOSAL OF ENTIRE INTERESTS IN AN ASSOCIATED COMPANY

INTRODUCTION

On 25 September 2007, the Company announced that Ta Fu Timber, a wholly-owned subsidiary of the Company, and Hubei Timber entered into the Agreement pursuant to which Hubei Timber agreed to acquire and Ta Fu Timber agreed to dispose of the Sale Shares (representing 48% of the equity interests in Hubei Fu Han Timber) at a consideration of RMB2,000,000 (or approximately HK\$2,060,000). Upon Completion, the Company will not own any shares in Hubei Fu Han Timber and Hubei Fu Han Timber will cease to be an associated company of the Company.

Under Rule 14.06(2) of the Listing Rules, the entering into of the Agreement constitutes a discloseable transaction of the Company. The purpose of this circular is to provide you with further information in relation to the Disposal.

LETTER FROM THE BOARD

THE AGREEMENT

Date 19 September 2007

Parties

Vendor: Ta Fu Timber, a wholly-owned subsidiary of the Company

Purchaser: Hubei Timber

The principal business activities of the Purchaser is the manufacturing of wooden products. To the best of the Director's knowledge, information and belief having made reasonable enquiry, the Purchaser and the ultimate beneficial owner of the Purchaser are third parties independent of the Company and the connected persons of the Company.

Assets to be disposed of

Pursuant to the Agreement, the Purchaser agreed to acquire and the Vendor agreed to dispose of the Sale Shares, representing 48% of the equity interests in Hubei Fu Han Timber.

Consideration and payment terms

The consideration of the Disposal amounts to RMB2,000,000 (or approximately HK\$2,060,000) and shall be satisfied in cash and payable by the Purchaser to the Vendor in the following manner:

- (i) the sum of RMB1,000,000 (or approximately HK\$1,030,000) shall be paid by Hubei Timber within 10 days upon signing of the Agreement ("First Payment"); and
- (ii) the remaining balance of RMB1,000,000 (or approximately HK\$1,030,000) shall be paid by Hubei Timber within 1 year from the date of the Agreement ("Deferred Payment").

In the event that the Purchaser fails to pay the First Payment, the Vendor has the refusal rights to provide or sign any Sale Shares transfer documents; and in the event that the Purchaser fails to pay the Deferred Payment within 1 year from the date of the Agreement, the Purchaser shall pay the default interest which is calculated by 0.1% of the remaining balance of RMB1,000,000 per day. The Purchaser undertakes that it will not deal or transfer material assets or shares of Hubei Fu Han Timber before the outstanding balance of the Consideration has been settled. As at the Latest Practicable Date, the First Payment has been paid by the Purchaser.

The Consideration was arrived at after arm's length negotiations between the parties to the Agreement and was determined with reference to, among others, the loss making history and financial difficulties of Hubei Fu Han Timber.

LETTER FROM THE BOARD

Completion

Completion will take place upon the remaining balance of the Consideration being paid by the Purchaser to the Vendor within 1 year from the date of the Agreement.

Upon Completion, the Company will not own any shares in Hubei Fu Han Timber and Hubei Fu Han Timber will cease to be an associated company of the Company.

INFORMATION ON HUBEI FU HAN TIMBER

Hubei Fu Han Timber is a sino-foreign equity joint venture established in the PRC in 1991 for an operating period of 25 years under the certificate of approval of Hubei Fu Han Timber with a registered capital of US\$4,567,565 and currently owned as to 48% by the Vendor and as to 52% by the Purchaser. The term of Hubei Fu Han Timber was for a period of 15 years commencing from 6 September 1991 to 5 September 2006 under the joint venture agreement signed in 1991. In view of the fact that joint venture period will be expired in 2006, the Vendor and the Purchaser signed the supplemental agreement to further extend the joint venture period from 2006 to 2016. The principal business activities of Hubei Fu Han Timber are manufacturing and trading of blockboard, plywood-based products, decoration wooden products and other wooden products in Wu Chan Qu, Wuhan City, PRC.

FINANCIAL INFORMATION ON HUBEI FU HAN TIMBER

The financial statement of Hubei Fu Han Timber was prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants. The audited net loss after tax of Hubei Fu Han Timber for the two years ended 31 December 2005 and 2006 were approximately RMB1,961,000 (or approximately HK\$2,020,000) and RMB5,819,000 (or approximately HK\$5,994,000) respectively. The unaudited net loss after tax of Hubei Fu Han Timber for the six months ended 30 June 2007 was approximately RMB1,244,000 (or approximately HK\$1,281,000). The original investment cost in Hubei Fu Han Timber by the Company was RMB17,101,000 and the Company has invested in Hubei Fu Han Timber since its incorporation in 1994.

The audited net liabilities of Hubei Fu Han Timber were approximately RMB25,254,000 (or approximately HK\$26,012,000) as at 31 December 2006. The unaudited net liabilities of Hubei Fu Han Timber as at 30 June 2007 was RMB28,745,000 (or approximately HK\$29,607,000). The Company has written off its investment in Hubei Fu Han Timber to zero amount since 2002.

PROCEEDS FOR THE DISPOSAL

The estimated net proceeds for the Disposal will amount to approximately RMB1,800,000 (or approximately HK\$1,854,000). The Directors intend to utilize the net proceeds from the Disposal for general working capital purpose.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE DISPOSAL

Based on the release of general and exchange reserves upon Disposal of RMB1,773,000 (or approximately HK\$1,826,000) and the Consideration for the Disposal of RMB2,000,000 (or approximately HK\$2,060,000), it is estimated that there will be a gain of approximately RMB3,773,000 (or approximately HK\$3,886,000) on the Disposal. The Disposal will not have any material impact on the assets and liabilities of the Group. The total assets of the Group will be increased by approximately RMB3,773,000 (or approximately HK\$3,886,000) and the total liabilities of the Group will remain unchanged immediately upon the Completion.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the business of manufacturing and sale of wood products in the PRC.

The Group has invested in Hubei Fu Han Timber for the past few years but has continuously incurred losses since 2000. Since Hubei Fu Han Timber incurred losses continuously and the cost of raw materials were increased substantially, the Company has written off its investment in Hubei Fu Han Timber to zero amount since 2002. The Directors are of the view that the Disposal can improve the overall performance of the Group and it also allows the Group to allocate the resources in a more efficient way, therefore the Directors decided to dispose the interests in Hubei Fu Han Timber. Upon Completion, the Group will continue to engage in the business of manufacturing and sale of wooden products, such as door skin and particle board products.

The Directors (including the independent non-executive Directors) consider that the Disposal is in the interests of the Company and the Shareholders as a whole and the terms and conditions of the Agreement are fair and reasonable so far as the Company and the Shareholders are concerned.

GENERAL INFORMATION

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 and 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 and underlying shares of the Company

Name of Director	Capacity	Number of Shares held	Number of share options	Approximate percentage of the issued share capital of the Company
Mr. Zhang Xi	Interest through controlled corporation/ Beneficial owner	2,792,826,000 (note)	32,353,000	30.72%
Ms. Catherine Chen	Beneficial owner	0	91,617,000	1.00%

Note: Mr. Zhang Xi (“Mr. Zhang”) (as defined herein) 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	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: CTIL is wholly-owned by Mr. Zhang

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 there was 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, Ms. Zhang Huafang, Mr. Cai Duanhong and Ms. Catherine Chen has entered into a service contract with the Company. The service agreement between Mr. Zhang, Ms. Zhang and Mr. Cai took effective on 11 December 2006 and the service agreement between Ms. Chen took effective on 2 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 the executive Directors are entitled to a directors' fee of HK\$600,000 per annum and the executive Directors 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 agreement 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.

5. 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.

6. MISCELLENEOUS

- (a) 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.
- (b) 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.
- (c) The English text of this circular shall prevail over the Chinese version for the purposes of interpretation.