fulbond
福 邦 控 股

Fulbond Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1041)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

The board of Directors (the "Board") of Fulbond Holdings Limited (the "Company") hereby announces the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 and the comparative figures as follows:–

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	NOTES	**2008** **US$'000**	2007 *US$'000*
Turnover	*3*	**36,308**	24,016
Cost of sales		**(29,232)**	(19,299)
Gross profit		**7,076**	4,717
Other income	*4*	**4,025**	1,694
Selling and distribution costs		**(2,230)**	(3,952)
Administrative expenses		**(5,566)**	(4,776)
Other operating expenses		**(524)**	(5,016)
Impairment loss recognised in respect of property, plant and equipment and prepaid lease payments		**(10,619)**	(172)
Impairment loss recognised in respect of goodwill		**(21,340)**	–
Finance costs	*5*	**(3,425)**	(915)
Gain on disposal of a subsidiary		**1,051**	–
Gain on disposal of associates		**–**	559
Share of results of associates		**–**	(319)
Loss before taxation		**(31,552)**	(8,180)
Taxation	*6*	**(702)**	(586)
Loss for the year	*7*	**(32,254)**	(8,766)
Attributable to:			
Equity holders of the Company		**(29,174)**	(7,455)
Minority interests		**(3,080)**	(1,311)
		(32,254)	(8,766)
Loss per share attributable to equity holders of the Company			
– basic	*8*	**(0.29) US cent**	(0.08) US cent
– diluted		**(0.29) US cent**	N/A

CONSOLIDATED BALANCE SHEET
At 31 December 2008

	NOTES	2008 US$'000	2007 US$'000
Non-current assets			
Property, plant and equipment		**11,133**	12,967
Intangible assets		**2,539**	–
Prepaid lease payments		**3,046**	810
Other advances		**439**	–
Goodwill		**–**	–
Interests in associates		**–**	–
Other investments		**–**	–
Club debenture		**–**	–
Deferred tax asset		**350**	–
		17,507	13,777
Current assets			
Inventories		**16,685**	6,653
Trade and other receivables	*9*	**18,263**	2,370
Deposits and prepayments		**3,705**	1,585
Prepaid lease payments		**70**	63
Amount due from a director of a subsidiary		**951**	–
Bank balances and cash		**8,882**	6,888
		48,556	17,559
Current liabilities			
Trade and other payables	*10*	**14,170**	8,907
Amounts due to associates		**76**	98
Amount due to a shareholder		**162**	702
Amount due to former ultimate holding company		**–**	560
Amounts due to directors of subsidiaries		**189**	–
Taxation payable		**775**	242
Warrants		**15**	–
Convertible notes		**39,054**	–
Bank and other borrowings – amount due within one year		**22,043**	9,769
		76,484	20,278
Net current liabilities		**(27,928)**	(2,719)
Total assets less current liabilities		**(10,421)**	11,058
Non-current liabilities			
Bank and other borrowings – amount due after one year		**455**	1,075
Deferred tax liability		**803**	–
		1,258	1,075
		(11,679)	9,983
Capital and reserves			
Share capital		**12,954**	9,197
Reserves		**(25,831)**	(2,689)
Equity attributable to equity holders of the Company		**(12,877)**	6,508
Minority interests		**1,198**	3,475
		(11,679)	9,983

Notes:

1. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC)*-INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC)-INT 12	Service concession arrangements
HK(IFRIC)-INT 14	HKAS 19-The limit on a defined benefit asset, minimum funding requirements and their interaction

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of financial statements[2]
HKAS 23 (Revised)	Borrowing costs[2]
HKAS 27 (Revised)	Consolidated and separate financial statements[3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[2]
HKFRS 3 (Revised)	Business combinations[3]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments[2]
HKFRS 8	Operating segments[2]
HK(IFRIC)-INT 9 & HKAS 39 (Amendment)	Embedded derivatives[4]
HK(IFRIC)-INT 13	Customer loyalty programmes[5]
HK(IFRIC)-INT 15	Agreements for the construction of real estate[2]
HK(IFRIC)-INT 16	Hedges of a net investment in a foreign operation[6]
HK(IFRIC)-INT 17	Distribution of non-cash assets to owners[3]
HK(IFRIC)-INT 18	Transfers of assets from customers[7]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 July 2009.
[4] Effective for annual periods ending on or after 30 June 2009.
[5] Effective for annual periods beginning on or after 1 July 2008.
[6] Effective for annual periods beginning on or after 1 October 2008.
[7] Effective for transfers on or after 1 July 2009.

* IFRIC represents the International Financial Reporting Interpretations Committee.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. HKAS 23 (Revised) requires the capitalisation of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset on a prospective basis.

The directors of the Company anticipate that the application of the other new and revised standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

2. Basis of Preparation of Financial Statements

In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group. While recognising that the Group incurred a loss of US$32,254,000 during the year ended 31 December 2008 and as of that date, the Group had net current liabilities of US$27,928,000 and net liabilities of US$11,679,000, the Group has obtained financial support from the single largest shareholder of the Company, Wise Virtue Holdings Limited ("Wise Virtue"), to assist the Group to meet its financial obligations as they fall due in the foreseeable future.

Given the condition as described above and provided that the Group can continue to successfully refinance its bank borrowings, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. Turnover and Segment Information

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

(a) Business segments

For management purposes, the Group is currently organised into four (2007: four) principal operating divisions, the principal activities of which are disclosed as follows and these divisions form the basis on which the Group reports its primary segment information.

Principal activities:

Blockboard and particle board	–	manufacture and trading of products of blockboard and particle board
Door skin	–	manufacture and trading of door skin
Other wooden products	–	manufacture and trading of wooden products other than those identified as above
Food processing and distribution	–	processing and distribution of frozen seafood products
Others	–	high-technology related business through investments in associated companies (disposed in 2007)

For the year ended 31 December 2008

	Blockboard and particle board US$'000	Door skin US$'000	Other wooden products US$'000	Food processing and distribution US$'000	Consolidated US$'000
TURNOVER					
External sales	**7,337**	**13,117**	**1,429**	**14,425**	**36,308**
RESULT					
Segment result	**(2,703)**	**(4,833)**	**(526)**	**1,904**	**(6,158)**
Unallocated corporate income					**145**
Unallocated corporate expenses					**(4,090)**
Impairment loss recognised in respect of goodwill	**–**	**–**	**–**	**(21,340)**	**(21,340)**
Change in fair value of derivative financial instruments and warrants					**2,265**
Finance costs					**(3,425)**
Gain on disposal of a subsidiary	**1,051**	**–**	**–**	**–**	**1,051**
Loss before taxation					**(31,552)**
Taxation					**(702)**
Loss for the year					**(32,254)**

For the year ended 31 December 2007

	Blockboard and particle board US$'000	Door skin US$'000	Other wooden products US$'000	Others US$'000	Consolidated US$'000
TURNOVER					
External sales	8,737	14,061	1,218	–	24,016
RESULT					
Segment result	(3,046)	1,265	110	–	(1,671)
Unallocated corporate income					79
Unallocated corporate expenses					(5,913)
Finance costs					(915)
Gain on disposal of associates	–	–	–	559	559
Share of results of associates	–	–	–	(319)	(319)
Loss before taxation					(8,180)
Taxation					(586)
Loss for the year					(8,766)

(b) Geographical segments

All of the Group's operations are located in the People's Republic of China (the "PRC").

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

	Sales revenue by geographical market	
	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*
The PRC	**12,315**	14,599
Americas	**12,045**	–
Middle East	**7,875**	4,166
Asia excluding the PRC	**2,221**	1,758
Europe	**807**	2,663
Others	**1,045**	830
	36,308	24,016

4. Other Income

Other income comprises:

	2008	2007
	US$'000	*US$'000*
Value added tax refund (note a)	**875**	1,202
Gain on disposal of property, plant and equipment	**–**	43
Interest income	**102**	46
Rental income from lease of plant and machinery	**–**	258
Sales of scrap materials	**313**	–
Sub-contracting income	**114**	–
Gain on disposal of other investments	**3**	–
Change in fair value of derivative financial instruments and warrants (note b)	**2,265**	–
Others	**353**	145
	4,025	1,694

Notes:

(a) Certain subsidiaries of the Company established in the PRC are involved in the production of wooden products which require the use of raw materials that are environmental friendly. Pursuant to the relevant rules and regulations of the PRC governing the value added tax ("VAT"), such subsidiaries were entitled to a VAT refund totalling US$875,000 (2007: US$1,202,000) for the year ended 31 December 2008.

(b) An analysis of change in fair value of derivative financial instruments and warrants comprise gain on initial recognition of liability component of convertible note of US$182,000, change in fair value of embedded conversion option and early redemption option of convertible notes of US$1,906,000 and change in fair value of warrants of US$177,000.

5. Finance Costs

	2008	2007
	US$'000	*US$'000*
Interest on:		
– borrowings from banks and other financial institutions wholly repayable within five years	**868**	830
– three-year loan notes	**73**	80
– other borrowings	**–**	5
Effective interest expense on convertible notes wholly repayable within five years	**2,484**	–
	3,425	915

6. Taxation

Tax charge comprises:

	2008	2007
	US$'000	*US$'000*
PRC Enterprise Income Tax	**(727)**	(586)
Deferred tax charge	**25**	–
	(702)	(586)

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

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

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate from 15% to 25% at progressive rates gradually for certain subsidiaries, and from 24% to 25% for certain subsidiaries from 1 January 2008.

7. Loss for the Year

Loss for the year has been arrived at after charging (crediting):

	2008	2007
	US$'000	*US$'000*
Directors' remuneration		
– Fees	**567**	407
– Share-based payments for directors (included in other operating expenses)	**388**	1,216
– Other emoluments	**7**	8
	962	1,631
Employees' salaries and benefits expenses	**2,772**	1,472
Share-based payments for employees (included in other operating expenses)	**136**	2,787
Compensation for laid off of employees in the PRC (included in other operating expenses)	**–**	1,013
Retirement benefits scheme contributions for staff other than directors	**271**	328
Total employees' benefits expense	**4,141**	7,231
Allowance for bad and doubtful debts	**–**	1,021
Amortisation of prepaid lease payments	**106**	118
Amortisation of intangible assets	**110**	–
Auditor's remuneration	**279**	204
Depreciation of property, plant and equipment	**2,070**	3,100
Net exchange losses	**227**	30
Loss/(gain) on disposal of property, plant and equipment	**212**	(43)
Gain on disposal of other investments	**(3)**	–
Minimum lease payments under operating leases in respect of rented premises	**240**	169
Write down of inventories to net realisable value	**–**	424
Cost of inventories recognised as expenses	**29,232**	18,875

8. Loss per Share

The calculation of the basic and diluted loss per share attributable to equity holders of the Company is based on the following data:

	2008	2007
	US$'000	*US$'000*
Loss:		
Loss for purpose of calculation of basic loss per share	**(29,174)**	(7,455)
Effect of dilutive potential ordinary shares:		
– Interest on convertible notes	**984**	
– Change in fair value of embedded conversion option and early redemption option	**(3,565)**	
– Exchange realignment of convertible notes	**102**	
Loss for purpose of calculation of diluted loss per share	**(31,653)**	

Number of shares:	**2008**	2007
Weighted average number of ordinary shares for purposes of calculation of basic loss per share	**9,977,888,607**	9,197,779,755
Effect of dilutive potential ordinary shares in respect of convertible notes	**826,502,732**	
Weighted average number of ordinary shares for the purpose of calculation of diluted loss per share	**10,804,391,339**	

The computation of diluted loss per share for the year ended 31 December 2008 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares during the current year. In addition, it does not assume the exercise of the Company's outstanding warrants and conversion of certain convertible notes since their exercise and conversion would result in a decrease in the loss per share.

No diluted loss per share has been presented for the year ended 31 December 2007 as the exercise of the outstanding share options would result in a decrease in the loss per share.

9. Trade and Other Receivables

	2008	2007
	US$'000	*US$'000*
Trade receivables, net of allowance	**13,621**	1,243
Other receivables	**4,642**	1,127
	18,263	2,370

Payment terms with customers are largely on credit. Invoices are normally payable within 30 to 90 days after issuance.

The following is an aged analysis of trade receivables at the balance sheet date:

	2008	2007
	US$'000	*US$'000*
0-90 days	**11,480**	904
91-180 days	**2,141**	260
More than 180 days	**–**	79
	13,621	1,243

10. Trade and Other Payables

	2008	2007
	US$'000	*US$'000*
Trade payables	**5,000**	2,694
Amounts due to minority shareholders of subsidiaries	**1,415**	827
Other payables	**7,755**	4,373
Compensation payable for laid off of employees	**–**	1,013
	14,170	8,907

The amounts due to minority shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

The following is an aged analysis of trade payables at the balance sheet date:

	2008	2007
	US$'000	*US$'000*
0-90 days	**3,559**	53
91-180 days	**19**	794
More than 180 days	**1,422**	1,847
	5,000	2,694

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The auditor of the Company included a section of "Emphasis of Matters" in their independent auditor's report, the details of which are set out as follows:

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that the Group incurred a loss of US$32,254,000 during the year ended 31 December 2008 and, as of that date, the Group had net current liabilities of US$27,928,000 and net liabilities of US$11,679,000. These conditions, along with other matters set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 December 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The revenue of the Group for the year was approximately US$36.3 million, increased around 51.1% as compared with the year 2007. Such increase was mainly contributed from the food processing and distribution business since the acquisition of Prowealth Holdings Group Limited ("Prowealth") in October 2008 and this business operation has become our leading source of revenue.

The loss attributable to the equity holders of the Company for the year amounted to US$29.2 million, as compared to a loss of US$7.5 million in 2007. The loss per share for the year amounted to 0.29 US cent (2007: loss per share at 0.08 US cent). The loss for the year was mainly attributable from an impairment loss recognized in respect of property, plant and equipment and prepaid lease payments of approximately US$10.6 million and an impairment loss in respect of goodwill of approximately US$21.3 million related to the acquisition of the Prowealth. The impairment losses are set out as follows:

a) During the year, the Directors conducted a review of the Group's property, plant and equipment and prepaid lease payments and determined that a number of those assets were impaired. Impairment losses of US$9,765,000 and US$854,000 respectively were recognised based on the recoverable amounts of property, plant and equipment and prepaid lease payments which were determined on the basis of their value in use. The carrying amounts of the property, plant and equipment and prepaid lease payments were reduced to the respective recoverable amounts.

b) The Directors have reviewed goodwill on acquisition of Prowealth with indefinite useful lives for impairment loss. Goodwill amounting to US$21,340,000 has been allocated to cash generating units ("CGU") of food processing and distribution segment. The recoverable amount of CGU has been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 20%. Cash flows beyond 5-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. In addition, other assumptions have been properly considered in the value in use calculation. To the extent that the carrying amount of any of the units exceed the recoverable amount of the unit, impairment loss has been allocated first to reduce the carrying amount of the goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. As at 31 December 2008, the Group has recognised impairment loss of US$21,340,000 in relation to goodwill arising on acquisition of Prowealth.

BUSINESS REVIEW

Timber Business

During the year, timber business remained the core business of the Group. In order to improve the overall performance of the Group and allocate the resources, the Board decided to dispose of its entire interest in Jilin Province Fuchun Timber Co., Ltd. ("Jilin Fuchun"), a 55% subsidiary of the Group, to the PRC minority shareholder at a consideration of RMB1,000,000 (equivalent to US$145,000), giving rise to a gain on disposal of US$1,051,000. In this regard, the timber related business accounted for approximately 60% of the Group revenue in 2008. The turnover of timber businesses decreased from approximately US$24,016,000 to US$21,883,000, representing a drop of approximately 8.9% as compared to the last financial year. The segment result of timber businesses had suffer from loss of US$1,671,000 to loss of US$8,062,000 that indicated that timber business entered into market downturn and the management will continuous review and access potential business opportunities for the Group.

Food Processing and Distribution Business

On 30 May 2008, the Company issued a 6% convertible note with principal amount of HK$121,000,000 (equivalent to US$15,513,000) with coupon interest payable semi-annually to Sun Boom Limited ("Sun Boom") for acquisition of 20% equity interest in Prowealth ("May SPA Convertible Note"). The May SPA Convertible Note is denominated in Hong Kong dollars with a conversion period of 24 months from the issue date and can be converted into ordinary shares of the Company at HK$0.086 per share, The May SPA Convertible Note matures on 29 May 2010 and can be redeemed at par by the holder at anytime before the maturity date. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss. The total fair value of the May SPA Convertible Note is approximately HK$118,553,000 (equivalent to US$15,197,000) at 30 May 2008, representing a discount of US$316,000 recognised as part of the investment cost in Prowealth. The Group has acquired 20% of the issued share capital of Prowealth.

Pursuant to a sales and purchase agreement (the "Agreement") between the Company, Sun Boom and Wise Virtue Holdings Limited ("Wise Virtue") to purchase the remaining 80% issued share capital of Prowealth at a consideration of HK$484,000,000 (equivalent to US$62,347,000) satisfied by the issue of 3,756,840,000 ordinary shares of the Company at HK$0.086 per share ("Consideration shares"), issue of HK$80,646,500 (equivalent to US$10,389,000) convertible note to Sun Boom ("Sun Boom Convertible Note") and HK$80,265,260 (equivalent to US$10,339,000) convertible note to Wise Virtue ("Wise Virtue Convertible Note"). The Consideration Shares were subsequently issued on 17

October 2008 at market price of HK$0.019 per share and the fair value of the Consideration Share amounted to HK$71,380,000 or US$9,195,000. The total fair value of the Sun Boom Convertible Note is approximately HK$80,111,000 (equivalent to US$10,319,000) at 17 October 2008, representing a discount of US$70,000 recognised as part of the investment cost in Prowealth. The total fair value of the Wise Virtue Convertible Note is approximately HK$79,732,000 (equivalent to US$10,271,000) at 17 October 2008, representing a discount of US$68,000 recognised as part of the investment cost in Prowealth. As such, the Group has acquired 100% of the issued share capital of Prowealth and Prowealth has become a subsidiary of the Company.

The Directors believed that the acquisition of Prowealth would provide an opportunity for the Group to develop a new line of business in the food processing industry while continuing with its existing business. Prowealth specializes in processing and export of frozen seafood products. It is a wholesaler and its customers mainly comprised of Australia, Korea and USA seafood distributors and importers form other countries. The food processing and distribution business accounted for approximately 40% of the Group revenue in 2008. Prowealth promotes its product image of high quality and safety standards which increased consumers' confidence. With Prowealth's extensive experience and expertise in the industry, that would be able to capitalize on the growth opportunities in seafood product market in the long run.

OUTLOOK

In the midst of the financial crisis spread out last year, the global economy has not been bottomed out and shows no sign of turning up. In the gloomy winter when recovery is yet to be expected, the wooden products and frozen seafood products markets are in downturn, both in prices and trade volumes. The management anticipated some further setbacks in a short run, whilst in the longer run, the strong basic demand for frozen seafood products will still be a key driver to push for a quick recovery in the dawn. Whilst maintaining a positive attitude towards the prospect, the Group remains conservative in its development plans and will closely manage its implementation of the restructuring of management and business operation to keep a progressive pace in the challenging and dynamic environment.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2008, the Group's cash and cash equivalents amounted to US$8,882,000 (as at 31 December 2007: US$6,888,000), representing an increase of US$1,994,000 or 29% as compared to the same corresponding period in 2007. During the year, net cash outflow from operating activities was US$460,000. The net cash inflow from financing activities was US$924,000, which was mainly due to proceed from the issue of convertible note and warrants during the year.

As at 31 December 2008, the Group's bank and other borrowings amounted to US$22,498,000 (as at 31 December 2007: US$10,844,000). The Group's bank and other borrowings from banks and other financial institutions carry interests at fixed rates ranging from 6.66% to 7.47% per annum (2007: 5.58% to 7.29% per annum). According to the corporate restructuring of the Company and its subsidiaries, the creditors of the Group received three-year loan notes from the Company with an aggregate face value of US$4,400,000 which carry fixed interest at a rate of 7% per annum. The three-year loan notes are repayable in six equal semi-annual installments. The repayment of the remaining outstanding installment of the loan notes amounted to US$455,000 has been extended to March 2010. Other borrowings represent interest-free borrowings of US$305,000 in 2007. Individual operating entities within the Group are responsible for their own cash management, including raising of loans to cover expected cash demands, subject to approval by the Board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its short and long term liquidity requirements. The Group had net current liabilities of US$27,928,000 and net liabilities of US$11,679,000 as at 31 December 2008. The Directors have obtained financial support from the single largest shareholder of the Company to assist the Group to meet its financial obligations as they fall due in the foreseeable future. In addition, provided that the Group can continue to successfully refinance its bank borrowings, the Directors consider that the Group's liquidity risk is significantly reduced.

Finance Costs

The increase in finance costs of approximately HK$2.5 million, from HK$0.9 million in year 2007 to HK$3.4 million in Year 2008, was mainly attributable to the effective interest expenses on convertible notes issued during the year.

CAPITAL STRUCTURE

During the year ended 31 December 2008, the Company issued 3,756,840,000 shares to Wise Virtue was satisfied by as consideration shares for the acquisition of Prowealth. As at 31 December 2008, the number of the Company's issued shares was enlarged to 12,954,619,755 shares.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

No significant exchange risk is expected as the Group's cash, borrowings, income and expenses are settled in Hong Kong dollars, RMB or US dollars. The Group's major investment and financing strategies are to invest in domestic projects in the PRC by Hong Kong dollars and RMB borrowings. As RMB appreciation is expected to continue in the foreseeable future and the Group's operating income is substantially denominated in RMB, the Group did not perform any foreign currency hedging activities during the year. Nevertheless, the Group will from time to time review and adjust the Group's investment and financing strategies based on the RMB, US dollars and Hong Kong dollars exchange rate movement.

CHANGE OF DIRECTORSHIP

On 5 August 2008, Mr. Cai Duanhong was resigned as executive director of the Company.

On 27 September 2008, Mr. Chiu Sui Keung was appointed as non-executive director of the Company.

On 23 December 2008, Mr. Cheng Wyman Paul was appointed as executive director of the Company.

On 31 December 2008, Ms. Zhang Huafang was resigned as executive director of the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2008, the Group employed 2,100 full time management, administrative and production staff in the PRC and Hong Kong. The Group recruits and promotes individuals based on their performance and development potential in the positions held. Remuneration package is determined with reference to an employee's performance and the prevailing salary levels in the market. In addition, the Group adopts a share option scheme for eligible employees (including Directors) to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Group.

INTERNAL CONTROL

The Board acknowledges its responsibility for the Group's system of internal control system to safeguard shareholders' investment and reviewing the effectiveness of such on an annual basis under Code Provision C.2.1.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules during the year.

Audit Committee

The Company established an audit committee in year 1998 and has formulated its written terms of reference in accordance with the requirements of the Stock Exchange. The audit committee, which includes three independent non-executive directors, is to review the reporting of financial and other information with the management, the accounting policies and the systems of internal control adopted by the Company, risk management and the effectiveness and objectivity of the audit process and to discuss auditing and financial reporting matters.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited annual financial statements of the Group for the year ended 31 December 2008.

Remuneration Committee

The Company had established a remuneration committee with written terms of reference pursuant to the provisions set out in the Code. The committee comprises three independent non-executive directors and one executive director. The remuneration committee is principally responsible for formulation and making recommendation to the Board on the Group's policy and structure for all remuneration of directors and senior management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2008.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.fulbond.com). The 2008 Annual Report will be despatched to our shareholders on or before Thursday, 30 April 2008 and will be available at the websites of the Stock Exchange and the Company.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to extend my sincere appreciation to our shareholders, directors and customers for their continuous support. Though it has been a challenging year in 2008, we are graterful for our employees for their exert efforts their full contribution to deliver dynamic growth to our Group in the coming future.

By order of the Board
Fulbond Holdings Limited
Zhang Xi
Chairman

Hong Kong, 21 April 2009

At the date of this announcement, the Board comprises three executive Directors, namely Mr. Zhang Xi, Mr. Cheng Wyman Paul and Ms. Catherine Chen; one non-executive Director, Mr. Chiu Sui Keung, and three independent non-executive Directors, namely Mr. Hong Po Kui, Martin, Mr. Yam Tak Fai, Ronald and Mr. Wong Man Hin, Raymond.