

◀ **Chairman's Statement** ▶

Fellow Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual result of Fulbond Holdings Limited (the "Group") for the year ended 31 December 2002.

FINANCIAL RESULTS

During the year under review, the Group recorded a turnover of US\$31,505,000, as compared to US\$35,833,000 last year. Net loss was US\$13,892,000 against last year's gain of US\$24,255,000 which benefited from contribution on the financial and corporate restructuring in March 2001. Basic loss per share was US0.17 cents. The negative results in 2002 was mainly attributable to impairment loss recognized in respect of property, plant and equipment of US\$3,975,000 and deemed loss on partial disposal of Fulhua Microelectronics Corporation ("FMC") resulted from issuance of preference shares to minority shareholders by FMC, together with the dilution of equity interest in a subsidiary upon the merger of business with another subsidiary, amounted to US\$2,034,000.

On the operation level, the global economy slipped into recession during 2002, and the electronics industry remained sluggish which led to the slackening of Integrated Circuit ("IC") design segment. Coupled with the keen competition within the timber industry, the Group's business was inevitably affected under the unfavorable business environment.

DIVIDEND

The Board does not recommend the payment of final dividends in respect of the year ended 31 December 2002.

BUSINESS REVIEW

The Timber Business

The Group's timber business experienced fierce competition during the year under review. Competition within the timber industry has amplified subsequent to Peoples' Republic of China's (the "PRC"'s) entry into WTO as import controls and taxes were relaxed. Enforcement of stringent environmental conservation policies by the PRC government drove the price of raw timber material skyrocketing. As a result, it has further squeezed down the gross profit margin and led to an impairment of the Group's timber business. However, in view of the market potential of PRC's building construction business, the business prospects of its supporting industries, such as the timber industry, look promising accordingly in the long run. The Group was committed to better and more effectively serve this market by realigning its resources, streamline its operations and broaden its sales channels.

BUSINESS REVIEW (continued)

The Timber Business (continued)

Fulbond's 67%-owned subsidiary, Jilin Fudun Timber Company Limited, extended its sales and marketing network by setting up offices in Guangzhou, Beijing and Shanghai. These offices have helped to heighten the Group's brand image and sales performance and will allow the Group to pursue future business opportunities.

The High Technology Related Business

The demand for IC in the PRC is starting to emerge and is expected to grow rapidly in the next 5 to 10 years. In addition, the PRC government has also been actively promoting and encouraging the establishment of an IC industry in China. To capture the anticipated vast market opportunity, Fulbond established the FMC in May 2002. FMC is positioned to be a System on Chip ("SOC") solution and service provider, and will place major emphasis on developing its markets in the Greater China Region in the initial stage.

In July 2002, FMC acquired Sota Technology Inc. 源捷科技股份有限公司 ("Sota"), a Taiwan-based IC design service provider which is engaged in the provision of IC design services encompassing front-end and back-end design services as well as manufacturing logistic services to its customers mostly from Taiwan and the USA. Sota offers more than 100 of its own Silicon Intellectual Property to support its design services. With Sota's research and development expertise and brand reputation plus Fulbond management's strong professional expertise, in-depth experience in and understanding of the IC industry and worldwide industry ties, FMC is uniquely positioned to quickly penetrate the fast growing IC design service market.

FUTURE PLANS AND PROSPECTS

Looking ahead, Fulbond plans to restructure its timber business by aligning certain subsidiaries so as to streamline overall efficiencies. It will reallocate more resources to concentrate on profitable operations. It will assist subsidiaries and associate companies in areas of marketing and sales, namely, to help develop overseas markets, broaden sales channels, and strengthen brand image and market recognition.

The Group will further expand its IC design and related businesses. Planning strategically for long-term development, FMC will enter the high barrier Very Deep Sub-micron or SOC segments of the IC design industry. It will target on providing solutions built on mainstream architecture in selected applications. As for expanding the business network, FMC has established a wholly-owned US subsidiary in Sunnyvale, California in January 2003. Its Shanghai office will also come on stream in the first half of 2003.

FUTURE PLANS AND PROSPECTS (continued)

Additionally, the Group believes its investment in UniSVR Global Information Technology Inc. ("UniSVR") in November 2001 brings synergy to FMC. UniSVR will provide great support to FMC in building up its IT and broadband-based proprietary management platforms/systems (internet infrastructure). These platforms and systems will enable FMC to centralise operation and data management and, at the same time, offer the advantages of knowledge and resource sharing among the different subsidiaries and branches of the company.

Fulbond plans to forge alliances with reputable partners, in developing both timber and hi-tech related businesses. In addition, Fulbond will apply what it learned from Taiwan's successful experience in semiconductor development to develop its up stream IC design services. More importantly, the Group promises to relentlessly work to bring about more satisfactory returns to our shareholders.

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks to our shareholders, fellow directors, staff, customers, suppliers and business associates for their continuous support to the Group. We look forward to better results in the year ahead.

By order of the Board

YANG DING-YUAN

CHAIRMAN

Hong Kong, 25 April 2003