

CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "Board"), I am pleased to present the annual report of Fulbond Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2006.

FINANCIAL RESULTS

The Group reported turnover of approximately US\$26,308,000, during the year, an increase of about 17% as compared with approximately US\$22,485,000 in 2005. The increase was mainly contributed by expansion of customer orders. However, as a result of the slight reduction of raw material costs, the Group's gross profit increased to approximately US\$2,929,000 against last year's US\$1,605,000. Loss attributable to equity holders for 2006 was US\$7,017,000 (2005: US\$5,068,000). Basic loss per share was US0.08 cents (2005: US0.06 cent).

DIVIDENDS

The Board has not recommended the payment of a final dividend in respect of the year ended 31 December 2006.

APPOINTMENT OF THE NEW BOARD

As disclosed in the announcement of the Company dated 4 January 2007, the appointment of the new Board became effective commencing from 3 January 2007 immediately after the unconditional mandatory cash offers were made.

BUSINESS REVIEW

Timber Business

Timber business remained the core business of the Group.

In 2006, despite keen competition in the industry, the Group's major timber products including blockboard, particle board and door skin still managed to achieve satisfactory growth in sales. However, the slight reduction of raw materials prices such as wood and chemicals reduced the Group's cost of production.

Jilin Fudun Timber Company Limited ("Fudun"), the Group's 67%-owned subsidiary developed steadily. Its molded door skins are mainly exported overseas to markets including Turkey, the Middle East and Pakistan. Boasting good quality products, Fudun was able to meet customer needs in these overseas markets during the year and reported a 46% increase in sales of door skin products and secured a higher gross profit margin.

Under the new leadership of the Group, Fudun will continue to explore new market so as to boost revenue and its sources.

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HIGH TECHNOLOGY RELATED BUSINESS

In the past few years, the Group invested in high technology related business, especially that of System on Chip ("SoC")—based solutions and services. However, with the high technology business of its technology arm Fulhua Microelectronics Corporation ("FameG") recording loss continuously, our new board of Directors decided to dispose of its stake in this company. The Group has entered into an agreement with Silverplus Investment Limited to dispose its equity interest in FameG. Shareholders should refer to the announcement dated 20 March 2007 for details of the relevant transaction.

FUTURE PLANS AND PROSPECTS

Going forward, the Group will strive to improve its financial situation and overall performance. The Group will continue to strengthen its timber business and seek opportunities to develop other businesses to expand its revenue base. The Group will also implement prudent financial management and stringent cost control measures to enhance its profitability.

The Group is optimistic about the prospect of its timber business. The Group will consolidate the business and step up sales and marketing efforts to improve the segment's performance. Apart from growing existing markets, the Group will continue to explore other overseas markets. The Group took part

in exhibitions which it received a request for product samples from a Russian buyer. The Group will continue negotiations with this potential customer and watch closely for other opportunities in the Russian market. Riding on its strong manufacturing capabilities and ever-expanding distribution network, the Group is also well-positioned to tap the China market that promises immense potential.

Prompted by the less than satisfactory performance of its high technology related business, the Group disposed of the stake in FameG, its loss incurring associated company, and will gradually exit this business segment and focus resources on developing timber business and exploring opportunities for new businesses so as to improve overall performance.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks to our shareholders, members of the former board as well as the new board, fellow staff, customers, suppliers and business associates for their continuous support to the Group. We look forward to achieving better results in the coming year and generating satisfactory returns for our shareholders.

Zhang Xi

Chairman

Hong Kong, 24 April 2007