HONBRIDGE HOLDINGS LIMITED
洪 橋 集 團 有 限 公 司
(Stock Code : 8137)

Annual Report
2008

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this annual report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

This annual report, for which the directors (the "Directors") of Honbridge Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this annual report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this annual report misleading; and (iii) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

Board of Directors

Executive Directors
Mr. He Xuechu *(Chairman)*
Mr. Liu Wei, William *(Chief Executive Officer)*
Mr. Shi Lixin

Independent Non-Executive Directors
Mr. Chan Chun Wai, Tony
Mr. Fok Hon
Mr. Ma Gang

Compliance Officer

Mr. Liu Wei, William

Company Secretary & Qualified Accountant

Mr. Lam King Ho *CPA(US), CPA(HK), ACCA*

Authorised Representatives

Mr. Liu Wei, William
Mr. Lam King Ho

Audit Committee

Mr. Chan Chun Wai, Tony *(Committee Chairman)*
Mr. Fok Hon
Mr. Ma Gang

Remuneration Committee

Mr. Fok Hon *(Committee Chairman)*
Mr. Ma Gang
Mr. Chan Chun Wai, Tony
Mr. He Xuechu
Mr. Liu Wei, William

Auditors

Grant Thornton

Principal Banker

Standard Chartered Bank (Hong Kong) Limited

Registered Office

Scotia Centre
4th Floor, P.O. Box 2804
George Town, Grand Cayman
Cayman Islands

Head Office and Principal Place of Business

Suite 2703, 27/F
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Share Registrar and Transfer Office

Union Registrars Limited
Room 1901-02, Fook Lee Commercial Centre
Town Plaza, 33 Lockhart Road
Wanchai
Hong Kong

Stock Code

8137

Company Website

www.8137.hk

Chairman's Statement

I report the activities of the Company and its subsidiaries (together "the Group") for the year ended 31 December 2008.

Business Review

On 20 May 2008, the Group acquired a company situated at Jining, Shandong engaging in the production and sale of highly purified silicon and the research and development of solar graded silicon. The company contributed turnover of HK$29.6 million to the Group during the year.

The Group has transformed its major business from the publication of magazines to the production and sale of silicon products during the year.

For the year ended 31 December 2008, the Group's turnover decreased by 19% to HK$55.1 million. Compared to a profit of HK$1.5 million for the year 2007, the Group incurred a loss for the year. Loss for the year of the Group was HK$19.9 million, mainly due to the impairment of property, plant and equipment of HK$5.3 million, and impairment of inventories of HK$5.1 million. The causes of impairment are the recent financial turmoil that affected global metal material prices, leading to significant drop in price of our Group's current main products lower graded silicon, and the fact that our Group has not yet commenced 4-5N graded silicon production. Disregard the share-based payment of share options issued to employees amounting to HK$2.7 million, deemed convertible bonds interest expenses of HK$0.8 million and deemed interest on loans from ultimate holding company of HK$1.2 million recognised during the year, actual loss before share-based payment, convertible bonds interest and interest on loans from ultimately holding company for the year of the Group should be HK$15.2 million.

Prospects

Since the Group has invested in Kailun PV (Jining) in June 2008, construction of our new factory as well as order, installation and testing of new production facilities and equipment were carried out immediately. As a result of the outbreak of the financial crisis, especially since the fourth quarter of 2008, the prices of the Company's existing products, lower graded silicon, dropped significantly. The fact that the Company has not yet commenced production of 4-5N silicon has a negative impact to our Group's business as a whole.

Despite the above, in the opinion of the Board, the fall in prices of solar graded silicon and its subsequent products in 2008 at the same time creates opportunities for the recovery of the solar energy market in 2009: government supports from different nations to the development of renewable energy will be on the rise, and that a brand new pattern of renewable energy industry led by solar energy will be formed particularly after the implementation of new energy policy by the new United States government. The Company believes that the global excessive demand over solar silicon supply will remain for a certain period of time, and a considerable force is thereby bound to be generated spurring the global solar energy market in which China-based enterprises are included. The Company will continue making every effort on different aspects such as technology breakthrough, product upgrade and cost control, striving for the production of highly value-added products and its commercialised sales as early as possible, straining for the best return to our shareholders.

The Company will also continue to look for investment and cooperation opportunities in the new energy and resources sector.

Appreciation

On behalf of the Board, I would like to take this opportunity to thank our shareholders for their continued support during 2008 and all staff for their hard work.

He Xuechu
Chairman

Hong Kong

26 March 2009

Management Discussion and Analysis

Business Review

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Our Hong Kong operation achieved a turnover of HK$25.5 million in 2008, representing a 59% decrease compared to 2007. Loss for the year HK$9.5 million compared to a profit of HK$1.7 million in 2007 is mainly attributable to the increasing competitiveness of publication business and the reduction in advertising income.

Our Mainland China operation accounted for a turnover of HK$29.6 million for 2008, representing a 381% increase compared to 2007. Loss for the year has been increased by 115% to HK$10.4 million, which is mainly due to the impairment of property, plant and equipment, and inventories.

Prospects

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The Company will also continue to look for investment and cooperation opportunities in the new energy and resources sector.

Liquidity and Financial Resources

During the year ended 31 December 2008, the Group's operation was mainly financed by the internal financial resources of the Group.

As at 31 December 2008, the Group had net current liabilities of HK$11.9 million (2007: net current assets of HK$31.1 million). The current assets comprised cash and cash equivalents of HK$20.8 million, trade and bills receivables of HK$6.2 million, prepayment and other receivables of HK$9.1 million and inventories of HK$14.1 million. The current liabilities comprised trade payables of HK$7.5 million, other payables, accrued expenses and receipts in advance of HK$22.3 million, borrowings of HK$18.1 million and convertible bonds of HK$14.0 million.

As at 31 December 2008, the gearing ratio of the Group which is measured by total borrowings to total equity was 2.0 (2007: zero).

As at 31 December 2008, (i) the Group had no significant exposure to fluctuations in exchange rates and any related hedges; (ii) the Group had no charges on its assets; and (iii) the Group had no significant investment held.

Major Acquisition

On 20 May 2008, an unanimous ordinary resolution was passed at an extraordinary general meeting of the Company to acquire a 60% equity interest in Divine Mission Holdings Limited ("Divine Mission"). Divine Mission is a company incorporated in British Virgin Islands holding 100% equity interests of 濟寧凱倫光伏材料有限公司 ("Kailun PV (Jining)"). Kailun PV (Jining) is a wholly foreign owned enterprise established in Jining, Shandong, the PRC and is engaged in the production and sale of highly purified silicon and research and development in the production of solar graded silicon. Details of the acquisition have been disclosed in the circular of the Company dated 2 May 2008.

For the year ended 31 December 2008, in connection with that acquisition, the Group had injected US$8.0 million (equivalent to approximately HK$62.0 million) into Kailun PV (Jining) mainly for the enlargement of factory and the purchase of new equipment. The construction of the factory has already been completed and the equipment are in place. Successful developed new products have been commenced their testings for mass production.

Significant Investment Plans

Save as disclosed above, as at 31 December 2008, the Group did not have any significant investment plans.

Contingent Liabilities

As at 31 December 2008, the Group did not have any significant contingent liabilities.

Employees

As at 31 December 2008, the total number of employees of the Group was 177 (2007: 48). Employees' cost (including directors' emoluments) amounted to HK$16.6 million for the year (2007: HK$18.4 million).

The Group considers its employees as its most valuable assets. In addition to salary, other fringe benefits such as medical subsidies, life insurance, provident fund and subsidised training programs are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. Share options have also been granted to certain employees of the Group.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. He Xuechu, aged 46, is the Chairman of the Company. Mr. He has extensive experience in financial management and in the investment field, is principally responsible for the Group's strategic planning and positioning. Mr. He graduated from 安徽財貿學院 (Anhui Finance and Trade College), the PRC in 1983. Since then, he was employed by 中華人民共和國商業部 (the Domestic Trade Ministry of the PRC), and China Resources (Holdings) Co., Ltd. During the period from 2001 to 2005, Mr. He was a director and substantial shareholder of a number of companies, the shares of which are listed on the Stock Exchange, including Shanghai Zendai Property Limited (stock code: 0755) and Geely Automobile Holdings Limited (stock code: 0175). Mr. He is also director of Divine Mission Holdings Limited, Kailun Photovoltaic Materials Investments Limited, 濟寧凱倫光伏材料有限公司, Great Ready Assets Limited, Beforward Trading Limited, Superb Taste Company Limited, Honbridge Management Limited and Jessicacode Limited, all being subsidiaries of the Company.

Mr. Liu Wei, William, aged 44, is the Chief Executive Officer of the Company. Mr. Liu has over 10 years of experience in corporate banking and corporate finance, including his previous employment with The Hongkong Chinese Bank Ltd. and Lippo Group. During the period from 2004 to 2006, Mr. Liu was a director of Hans Energy Company Limited (stock code: 0554), the shares of which are listed on the Stock Exchange. Mr. Liu was also a director of China Metal and Technologies (H.K.) Limited, a private company engaged in the trading of non-ferrous metal. He was the managing director of a private company engaged in media business. Mr. Liu was experienced in the publication business and was involved in the publication of 世界經濟論壇 (World Economic Journal Monthly), 今日健康生活 (Healthy Life Today) and 中國新聞周刊 (China News Weekly) during his tenure with the above private company. Mr. Liu holds a master degree in business administration from the University of San Francisco. Mr. Liu is also director of Divine Mission Holdings Limited, Kailun Photovoltaic Materials Investments Limited, 濟寧凱倫光伏材料有限公司, Great Ready Assets Limited, Beforward Trading Limited, Superb Taste Company Limited, Honbridge Management Limited, Jessicacode Limited and Clear Success Limited, all being subsidiaries of the Company.

Mr. Shi Lixin, aged 41, a postgraduate diploma holder in business administration from the University of Wales College, Newport, has extensive experience in mergers and acquisitions and project finance. Mr. Shi is currently the chief executive officer of 萬博港工業品超市有限公司 (Wanbo Industrial Provision & Exposition Co., Ltd.) and was once the special assistant to the chairman of 湖南投資集團股份有限公司 (Hunan Investment (Group) Corporation). Mr. Shi was also the chief executive officer of a company which was involved in the business procurement of 湘潭高新技術產業開發區 (Xiantan Hi-Tech Industrial Development Zone), which in turn contains the 湘潭(德國)工業園 (Xiangtang (Germany) Industrial Park). Mr. Shi is also director of 濟寧凱倫光伏材料有限公司.

Independent Non-Executive Directors

Mr. Chan Chun Wai, Tony, aged 37, is a Certified Public Accountant and works as a director in a certified public accounting practice. He has extensive experience in general assurance and business advisory services with clients operating in a variety of industries including application software development and installation, website design and development, textile, construction, food processing, property development, freight forwarding, and consumer electronic products and other manufacturing industries in both Hong Kong and the PRC. Moreover, Mr. Chan has over 10 years of experience in public listings in Hong Kong and Singapore, mergers and acquisition as well as corporate finance. Mr. Chan is now the independent non-executive director of Hans Energy Company Limited (stock code 0554), and Wai Chun Mining Industry Group Company Limited (stock code 0660), the shares of which are listed on the Stock Exchange.

Mr. Fok Hon, aged 51, is executive director for several companies in Hong Kong including All Leaders Publication Group Ltd., which is engaged in media and publishing business, including publication of financial monthly "All Asian Leaders", commercial forum and seminar relevant services, e-commerce platform "Chinese–No.1.com" which only serves global high-end Chinese business leaders, and etc.. Since 2000 Mr. Fok became the founding director and at present the director of The Global Foundation of Distinguished Chinese Ltd., a charitable organization registered in Hong Kong.

Mr. Ma Gang, aged 52, graduated from Anhui Finance and Trade College, the PRC in 1983 with a Bachelor degree in Economics. Between 2004 and 2006, Mr. Ma was employed as the vice managing director of Shanghai HongYe Enterprise Corporation which is principally engaged in properties development business.

Senior Management

Mr. Liu Xiangmao, Michael, aged 46, is the chairman of Kailun PV (Jining). Mr. Liu has over 18 years of experience in direct investments. During the period from 1985 to 1991, he was employed by the securities department of China Resources (Holdings) Co., Ltd. Mr. Liu holds a finance degree from 中國人民大學 (Renmin University of China).

Mr. Lam King Ho, aged 39, holds a bachelor degree in accounting and finance and a postgraduate diploma in business administration. He is a member of the American Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Lam has over 15 years of finance and business management experience in major international accounting firms and listed companies in Hong Kong.

Directors' Report

The Directors of the Company present their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008.

Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 17 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 24 of this annual report.

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

Financial Summary

A summary of the results of the Group for the last five financial years is set out on page 88 of this annual report.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 31 to the consolidated financial statements.

Directors

The Directors of the Company during the year and up to the date of this annual report were:

Executive Director:
Mr. He Xuechu *(Chairman)*
Mr. Liu Wei, William *(Chief Executive Officer)*
Mr. Shi Lixin

Independent Non-Executive Director:
Mr. Chan Chun Wai, Tony
Mr. Fok Hon
Mr. Ma Gang

In accordance with Article 116 of the Articles of Association of the Company, Mr. Shi Lixin and Mr. Chan Chun Wai, Tony will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. All other remaining Directors continue in office.

Directors' Service Contracts

Each of the Executive Directors entered into a service contract with the Company which shall continue thereafter unless and until terminated by either party serving to the other not less than three months' notice in writing.

None of the Directors has entered into any service contract or has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2008, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

Long positions in the ordinary shares of HK$0.001 each of the Company

	Number of Ordinary Shares			
Name of Director	Beneficial Owner	Interests of Controlled Corporation	Total	Approximate % of Shareholding
He Xuechu	–	2,555,000,000 (Note)	2,555,000,000	74.87%

Note: The 2,555,000,000 shares were held by Hong Bridge Capital Limited ("Hong Bridge"). Hong Bridge is wholly owned by Mr. He Xuechu.

Save as disclosed above and the interests as disclosed below, none of the Directors or chief executives of the Company had, as at 31 December 2008, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

Confirmation of Independence of Independent Non-Executive Directors

The Company received from each of the Independent Non-Executive Directors, Mr. Chan Chun Wai, Tony, Mr. Fok Hon and Mr. Ma Gang, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company still considers all of the Independent Non-Executive Directors to be independent.

Share Option Scheme

The Company's existing share option scheme (the "Scheme") was adopted on 20 December 2001 and became effective on 8 January 2002. Particulars of the Scheme as required under the GEM Listing Rules are set out below:

(i) Summary of the Scheme

1. Purpose of the Scheme

The purpose of the Scheme is to recognise and motivate the contribution of the Employees (as defined in subsection headed "Participants of the Scheme" below) and other person(s) who may make a contribution to the Group and to provide incentives and help the Company in retaining its existing Employees and recruiting additional Employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

2. Participants of the Scheme

The Board of Directors of the Company or a duly authorised committee thereof (the "Board"), may, at its discretion, makes offers to any full time or part time employee (including any executive and non-executive director or proposed executive and non-executive director) of the Group (the "Employees"), adviser, consultant, contractor, client or supplier who have contributed to the Group (collectively the "Participants"), to take up options to subscribe for shares of HK$0.001 each in the share capital of the Company ("Shares") in accordance with the provisions of the Scheme.

3. Total number of Shares available for issue under the Scheme

Pursuant to the letter issued by the Stock Exchange on 7 January 2002, the total number of Shares available for issue under options which may be granted under the Scheme is 341,271,971 Shares, being 10% of the issued share capital immediately following refreshment of the Scheme on 14 March 2008.

As at 31 December 2008, an aggregate of 21,440,000 Shares were issuable pursuant to share options granted under the Scheme. For the year ended 31 December 2008, no options were exercised by the grantee pursuant to the Scheme.

As at 31 December 2008, the total number of Shares available for issue pursuant to the grant of further options under the Scheme was 319,831,971, representing approximately 9.4% of the issued share capital of the Company as at 31 December 2008.

4. Maximum entitlement of each participant

No Participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12 month period up to the date of grant to such Participant would exceed 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the GEM Listing Rules) abstaining from voting.

Share Option Scheme (Continued)

(i) Summary of the Scheme (Continued)

5. **Period within which the Shares must be taken up under an option**

   An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

6. **Minimum period, if any, for which an option must be held before it can be exercised**

   At the time of granting an option, the Board may, at its discretion, specify the minimum period(s), if any, for which an option must be held before it can be exercised.

7. **Amount payable upon acceptance of the option and the period within which the payment must be made**

   HK$1.00 shall be paid within 5 business days from the date of offer of the option.

8. **Basis of determining the exercise price of the option**

   The exercise price for Shares under the Scheme shall be a price determined by the Board, but in any case will not be less than the higher of:

   (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading day;

   (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer; or

   (c) the nominal value of a Share.

9. **Remaining life of the Scheme**

   Subject to early termination of the Scheme pursuant to the terms thereof, the Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Scheme becomes effective, i.e. 8 January 2002 and ending on 7 January 2012.

   Details of the principal terms of the Scheme are summarised under the sub-section headed "SHARE OPTION SCHEME" in Appendix IV to the Prospectus of the Company dated 31 December 2001.

Share Option Scheme (Continued)

(ii) Details of options granted

Particulars and movements during the year of the outstanding share options granted under the Scheme were as follows:

Name or category of participant	Number of share options						Date of grant of share options (Note a)	Exercise period of share options	Exercise price per share option HK$	Price immediately preceding the grant date of share options (Note b) HK$	Price immediately preceding the exercise date of share options (Note c) HK$
	Outstanding as at 01/01/2008	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31/12/2008					
Directors											
Liu Wei, William	10,000,000	–	–	–	–	10,000,000	22/11/2007	22/05/2008 – 07/01/2012	1.20	1.20	N/A
Shi Lixin	10,000,000	–	–	–	–	10,000,000	22/11/2007	22/05/2008 – 07/01/2012	1.20	1.20	N/A
Sub-total	20,000,000	–	–	–	–	20,000,000					
Employees	1,200,000	–	–	–	–	1,200,000	22/11/2007	22/05/2008 – 07/01/2012	1.20	1.20	N/A
Others											
In aggregate	240,000	–	–	–	–	240,000	15/04/2002	15/04/2003 – 07/01/2012	0.69	0.68	0.70
Total	21,440,000	–	–	–	–	21,440,000					

Notes:

(a) All share options granted on 15 April 2002 are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable Percentage
Within 12 months	Nil
13th – 24th months	$33^1/_3$%
25th – 36th months	$33^1/_3$%
37th – 48th months	$33^1/_3$%

Share options granted on 22 November 2007 are subject to a vesting period of six months and becoming exercisable in whole after then.

(b) The price of the Shares disclosed as immediately preceding the grant date of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options.

(c) The weighted average closing price of the Shares immediately before the date on which the options were exercised.

Convertible Securities, Options, Warrants or Similar Rights

On 16 October 2007, convertible notes of HK$14.7 million with an initial conversion price of HK$0.007 per conversion share of the Company were issued.

During the year ended 31 December 2008, there was no conversion of the Company's outstanding convertible notes.

Save as disclosed above, during the year ended 31 December 2008, neither the Company, its ultimate holding company nor any of its subsidiaries issued or granted any convertible securities, options, warrants or similar rights and there was no exercise of any conversion or subscription rights under any convertible securities, options, warrants or similar rights issued or granted at any time by the Company or any of its subsidiaries.

Directors' Right to Acquire Shares or Debentures

Save as disclosed above, at no time during the year was the Company, its ultimate holding company or any of its subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or the chief executive, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

Directors' Interests in Contracts of Significance

Save as disclosed under the section headed "CONNECTED TRANSACTIONS" below, no contracts of significance to which the Company, its ultimate holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contracts

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or subsisted during the year.

Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

As at 31 December 2008, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Long Positions of Substantial Shareholders in the Ordinary Shares of HK$0.001 Each of the Company

Name of shareholder	Number of ordinary shares held Direct interest	 Interest of controlled corporation	 Total number of shares held	Approximate percentage of shareholding
Hong Bridge	2,555,000,000 (Note a)	–	2,555,000,000	74.87%
Ng Hung Sang	18,102,800	288,276,403 (Note b)	306,379,203	8.98%

Notes:

(a) Hong Bridge is wholly owned by Mr. He Xuechu, the Chairman of the Company.

(b) Mr. Ng Hung Sang has control over the following corporations that have direct interest in the Company.

Name of controlled corporation	Percentage control	Direct interest in the Company
Fung Shing Group Limited	100%	99,012,563
Ronastar Investments Limited	100%	4,166,400
Parkfield Holdings Limited	100%	92,966,000
Earntrade Investments Limited	60%	32,805,600
Bannock Investment Limited	100%	59,325,840
		288,276,403

Save as disclosed above, as at 31 December 2008, the Company had not been notified by any other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Management Shareholders

So far as the Directors are aware, other than those disclosed under the sections headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and "SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES" above, there is no other person who is directly or indirectly interested in 5% or more of the share capital of the Company then issued and who is able, as a practical matter, to direct or influence the management of the Company.

Connected Transactions

The Group occupies the office premises at Suite 2703, 27th Floor, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong which is provided rent-free by Mr. He Xuechu, a substantial shareholder and a director of the Company.

During the year, Hong Bridge Capital Limited, the ultimate holding company of the Company, provided a loan of HK$45.0 million repayable on 5 June 2011 and a loan of HK$2.0 million repayable on 25 November 2011. The loans are interest free in the first two years and bear interest at prime rate minus 1.25% per annum in the third year.

Directors' and Management Shareholders' Interests in Competing Business

Mr. Fok Hon, an Independent Non-Executive Director of the Company, is also the managing director of All Leaders Publication Group Limited. Since All Leaders Publication Group Limited is engaged in the publication business, Mr. Fok is regarded as interested in such competing business of the Group.

Save as disclosed above, none of the Directors or the management shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete or had any conflicts of interest with the business of the Group for the year ended 31 December 2008.

Controlling Shareholders' Interests in Contracts

Other than the contracts as disclosed under the section headed "DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE", there was no contract of significance between the Company, its ultimate holding company or its subsidiaries and a controlling shareholder or any of its subsidiaries subsisting during or at the end of the year. Furthermore, there was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

Retirement Benefits Scheme

Details of the Group's retirement benefits scheme are set out in note 36 to the consolidated financial statements.

Customers and Suppliers

During the year ended 31 December 2008, the five largest customers of the Group accounted for 71% of the Group's total turnover and the five largest suppliers of the Group accounted for 97% of the Group's total purchases. In addition, the largest supplier accounted for 40% of the Group's total purchases.

None of the Directors, their associates, or shareholders (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest suppliers and customers as at 31 December 2008.

Audit Committee

The Company had established an audit committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures of the Group. The audit committee comprises Mr. Chan Chun Wai, Tony (Committee Chairman), Mr. Fok Hon and Mr. Ma Gang, who are Independent Non-Executive Directors of the Company. The audit committee has a term of 2 years.

During the year, the audit committee held four meetings to review and comment on the Company's 2007 annual report, 2008 half-yearly report and quarterly reports as well as the Company's internal control procedures.

The Group's annual results for the year ended 31 December 2008 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2008, neither the Company, its ultimate holding company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Auditors

A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of Grant Thornton as auditors of the Company.

On behalf of the Board
He Xuechu
Chairman

Hong Kong

26 March 2009

Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasizes accountability and transparency and are adopted in the best interests of the Company and its shareholders.

Code on Corporate Governance Practices

The Company complied with the Code on Corporate Governance Practices (the "CG Code") of the GEM Listing Rules throughout the year ended 31 December 2008 with the exception that the Articles of Association of the Company does not provide that (a) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting of the Company after their appointment. In view of good corporate governance practices, all Directors have agreed to comply with the GEM Listing Rules and that their term of appointment will be limited accordingly. Furthermore, every director of the Company, including those appointed for a specific term, voluntarily retires from his office by rotation at least once every three years notwithstanding that he is not required to do so by the Articles of Association of the Company. Amendments to the Articles of Association of the Company have been proposed at the forthcoming Annual General Meeting in order to bring the Articles of Association of the Company in line with the changes brought about by the amendments to GEM Listing Rules as well as the provisions of the CG Code.

Board Composition and Board Practices

The Board of Directors (the "Board") of the Company is composed of 6 Directors, including the Chairman, the Chief Executive Officer who are Executive Directors, 1 additional Executive Director and 3 Independent Non-Executive Directors. Half of the Board is Independent Non-Executive Directors who have appropriate professional qualifications, or accounting or related financial management expertise. Their biographies and relevant relationships amongst them are set out in the Biographical Details of Directors and Senior Management Section on pages 7 to 8 of this annual report.

Review will be made regularly on the Board composition to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. Also, a balanced composition of Executive Directors and Independent Non-Executive Directors is maintained to ensure independence and effective management. The Company has satisfied the GEM Listing Rules in having one of the Independent Non-Executive Directors with appropriate accounting qualifications and expertise to chair the Audit Committee.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-Executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

Board Composition and Board Practices (Continued)

A formal written procedure and policy have been adopted by the Board for the appointment of new directors. When selecting potential candidates for directors, skills, experience, expertise, his devotion of time, conflicts of interests are key factors for consideration. No Nomination Committee has been set up, and hence, the nomination and selection process are performed by the Board. The Board meets at least once a year in discussing whether the composition, size, structure of the Board is adequate. The Board met once with a majority of Directors present. According to the Articles of Association of the Company, one-third, and not exceeding one-third of Directors are subject to reelection. The CG Code states that all Directors must rotate at least once every three years. Despite the non-provision of the clause in the Articles of Association of the Company, every director of the Company, including those appointed for a specific term, voluntarily retires from his office by rotation at least once every three years notwithstanding that he is not required to do so by the Articles of Association of the Company.

The roles of the Chairman and the Chief Executive Officer are exercised by separate individuals with a view to reinforce their independence and accountability. Key and important decisions shall be fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and receive adequate and reliable information in a timely manner.

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the executive committee, comprising all of the Executive Directors. They report periodically to the Board their work and business decisions.

The Board meets regularly and held four meetings in 2008:

	Attendance
Executive Director	
He Xuechu *(Chairman)*	4/4
Liu Wei, William *(Chief Executive Officer)*	4/4
Shi Lixin	4/4
Independent Non-Executive Director	
Chan Chun Wai, Tony	4/4
Fok Hon	4/4
Ma Gang	4/4

Board Composition and Board Practices (Continued)

Notice of at least fourteen days are given to the Directors for regular meetings, while Board papers are sent to the Directors not less than three days before the intended date of a board or board committee meeting. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Articles of Association of the Company. The Company Secretary ensures that the procedure and all applicable rules and regulations are strictly and fully complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any reasonable time on reasonable notice by any Directors.

Director shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors.

Model Code for Securities Transactions

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules for Directors. In addition, the Board has established similar guidelines for relevant employees who are likely in possession of unpublished price sensitive information in relation to the Group or its securities.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the year ended 31 December 2008.

Internal Control

Recognising that a well-designed and effective system of internal control is crucial to safeguard the assets of the Company and the shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirement of GEM Listing Rules, the Directors also acknowledge that they have overall responsibility for the Company's internal control, financial control and risk management and shall monitor its effectiveness from time to time. Therefore, an internal audit team ("IA Team"), comprising qualified accountant, has been established to carry out the internal audit function of the Company.

Audit Committee is formed to maintain an effective internal control system of the Group. The Audit Committee regularly reviews the controls over significant risk factors such as credit risk, liquidity risk, interest rate risk and foreign currency risk. In assessing the effectiveness of the internal control system, the Board has considered reviews performed by the Audit Committee and management, and the findings of both internal and external auditors.

Based on the assessment of risk exposure, the IA Team formulates audit plans quarterly, which ensures the audit programs cover key internal control areas on a rotational basis, for review by the Audit Committee. The scopes and timing of audit review is usually determined according to risk assessment. Special reviews may also be performed on areas of concern identified by management or the Audit Committee from time to time. Communication channel has been established between the IA Team and the Audit Committee members.

IA Team consistently monitors the internal control procedures and systems of the Group and reports its findings and recommendations, if any, to Audit Committee periodically.

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 22 to 23 of this annual report.

Auditors' Remuneration

For the year ended 31 December 2008, the Auditors of the Company received approximately HK$480,000 for audit services and HK$500,000 for acting as reporting accountants for the Company's notifiable transaction.

Remuneration Committee

The Remuneration Committee was set up on 23 March 2005. The Committee members are Mr. Fok Hon (Chairman of the Committee), Mr. Ma Gang, Mr. Chan Chun Wai, Tony, Mr. He Xuechu and Mr. Liu Wei, William. The Committee met once in 2008 and was attended by all Committee members. The policy for the remuneration of Executive Directors and the Senior Management was reviewed by the Committee. Remuneration, including basic salary, performance bonus, of the Executive Directors and Senior Management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability, as well as industry practice. Granting share options is considered as one of the means for giving long term benefits to and retaining staff.

Remuneration, comprising directors' fees, of Independent Non-Executive Directors is subject to annual assessment for shareholders' approval at the annual general meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

Audit Committee

The Audit Committee comprised all three Independent Non-Executive Directors, Mr. Chan Chun Wai, Tony (Chairman of the Committee), Mr. Fok Hon and Mr. Ma Gang. The Audit Committee met four times in 2008 with an attendance rate of 100%. The principal duties of the Audit Committee include the review of the Group's audit plan and process with the Auditors, the review of the Auditors' independence and the review of the Group's financial statements in accordance with its terms of reference, which is substantially the same as the CG Code.

The Committee is satisfied with the findings of their review of the audit fees, process and has recommended to the Board their re-appointment in 2009 at the forthcoming Annual General Meeting.

The Group's annual report for the year ended 31 December 2008 has been reviewed by the Audit Committee.

Independent Auditors' Report

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members of Honbridge Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Honbridge Holdings Limited (the "Company") set out on pages 24 to 87, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Auditors' responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter – material uncertainty regarding the going concern assumption

Without qualifying our opinion, we draw attention to note 3.1 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As at 31 December 2008, the Group and the Company had net current liabilities of approximately HK$11,875,000 and HK$11,948,000 respectively and the Group also incurred a loss attributable to the equity holders of the Company of approximately HK$15,729,000 for the year then ended. These conditions, along with other matters as disclosed in note 3.1 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.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

26 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	5	**55,091**	67,843
Direct operating expenses		**(39,864)**	(43,696)
Other operating revenue	7	**480**	192
Selling and distribution costs		**(7,101)**	(17,271)
Administrative expenses		**(15,095)**	(9,998)
Other operating income		**–**	5,480
Other operating expenses		**(10,880)**	(852)
Other operating (expenses)/income, net		**(10,880)**	4,628
Operating (loss)/profit	8	**(17,369)**	1,698
Finance costs	9	**(2,575)**	(169)
(Loss)/profit before income tax		**(19,944)**	1,529
Income tax expense	10	**–**	–
(Loss)/profit for the year		**(19,944)**	1,529
Attributable to :			
Equity holders of the Company	11	**(15,729)**	1,529
Minority interest		**(4,215)**	–
(Loss)/profit for the year		**(19,944)**	1,529
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year	12		
– Basic		**HK(0.46) cent**	HK0.14 cent
– Diluted		**N/A**	HK0.11 cent

Consolidated Balance Sheet

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	27,178	1,293
Prepaid land lease payments	16	21,285	–
Goodwill	18	35,686	–
Deposits	19	3,460	–
		87,609	1,293
Current assets			
Inventories	20	14,069	–
Trade and bills receivables	21	6,152	5,414
Prepayments and other receivables	22	9,100	1,300
Cash and cash equivalents	24	20,776	33,752
		50,097	40,466
Current liabilities			
Trade payables	25	7,510	5,375
Other payables, accrued expenses and receipts in advance	26	22,349	4,017
Borrowings	27	18,112	–
Convertible bonds	29	14,001	–
		61,972	9,392
Net current (liabilities)/assets		(11,875)	31,074
Total assets less current liabilities		75,734	32,367
Non-current liabilities			
Borrowings	27	937	–
Loans from ultimate holding company	28	43,292	–
Convertible bonds	29	–	13,169
Deferred tax liabilities	30	693	–
		44,922	13,169
Net assets		30,812	19,198
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	31	3,413	3,413
Reserves	33	7,713	15,785
		11,126	19,198
Minority interest		19,686	–
Total equity		30,812	19,198

He Xuechu
Chairman

Liu Wei, William
Director

Balance Sheet

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	817	997
Investments in subsidiaries	17	78,730	7,266
		79,547	8,263
Current assets			
Prepayments and other receivables	22	191	177
Amount due from a subsidiary	23	200	–
Cash and cash equivalents	24	1,680	31,331
		2,071	31,508
Current liabilities			
Other payables and accrued expenses	26	17	432
Amount due to a subsidiary	23	1	1
Convertible bonds	29	14,001	–
		14,019	433
Net current (liabilities)/assets		(11,948)	31,075
Total assets less current liabilities		67,599	39,338
Non-current liabilities			
Loans from ultimate holding company	28	43,292	–
Convertible bonds	29	–	13,169
		43,292	13,169
Net assets		24,307	26,169
EQUITY			
Share capital	31	3,413	3,413
Reserves	33	20,894	22,756
Total equity		24,307	26,169

He Xuechu
Chairman

Liu Wei, William
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
(Loss)/profit before income tax		**(19,944)**	1,529
Adjustments for :			
Depreciation of property, plant and equipment	8	**1,639**	285
Amortisation of prepaid land lease payments	8	**259**	–
Gain on disposals of subsidiaries	8	**–**	(5,480)
Impairment of inventories	8	**5,139**	–
Impairment of property, plant and equipment	8	**5,349**	–
Loss on disposals of property, plant and equipment	8	**1**	–
Equity-settled share-based payment expenses	13	**2,706**	749
Interest income	7	**(162)**	(79)
Interest expense on other loans	9	**574**	–
Interest expense on convertible bonds	9	**832**	169
Interest expense on loans from ultimate holding company	9	**1,169**	–
Operating loss before working capital changes		**(2,438)**	(2,827)
Increase in inventories		**(13,667)**	–
(Increase)/Decrease in trade and bills receivables		**(99)**	402
Increase in prepayments and other receivables		**(97)**	(1,653)
Decrease in trade payables		**(2,938)**	(2,623)
(Decrease)/Increase in other payables, accrued expenses and receipts in advance		**(1,944)**	2,239
Decrease in amount due to a related company		**–**	(71)
Cash used in operations		**(21,183)**	(4,533)
Interest paid on other loans		**(574)**	–
Net cash used in operating activities		**(21,757)**	(4,533)
Cash flows from investing activities			
Interest received		**162**	79
Purchase of property, plant and equipment		**(9,825)**	(1,518)
Proceeds from disposals of property, plant and equipment		**1**	–
Deposits paid for acquisition of property, plant and equipment		**(2,923)**	–
Acquisition of subsidiaries and businesses (net of cash and cash equivalents acquired)	38	**(7,306)**	–
Proceed from disposals of subsidiaries	39	**–**	309
Net cash used in investing activities		**(19,891)**	(1,130)

Consolidated Cash Flow Statement
For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from financing activities			
Proceeds from shares issued under share option scheme		–	3,283
Proceeds from issuance of new shares		–	20,300
Proceeds from issuance of convertible bonds		–	14,700
Share issue expenses		–	(1,431)
Drawdown of borrowings		7,050	–
Drawdown of loans from ultimate holding company		47,000	–
Repayment of borrowings		(25,394)	–
Net cash generated from financing activities		28,656	36,852
Net (decrease)/increase in cash and cash equivalents		(12,992)	31,189
Cash and cash equivalents at 1 January		33,752	2,563
Effect of foreign exchange rate changes		16	–
Cash and cash equivalents at 31 December		20,776	33,752
Analysis of cash and cash equivalents			
Cash at banks and in hand	24	20,776	33,752

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2008

	Equity attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Other reserve HK$'000	Employee compensation reserve HK$'000	Translation reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interest HK$'000	(Capital deficiency)/ Total equity HK$'000
At 1 January 2007	507	9,218	(510)	–	3,783	114	–	(20,113)	(7,001)	–	(7,001)
Profit for the year	–	–	–	–	–	–	–	1,529	1,529	–	1,529
Total recognised income and expense for the year	–	–	–	–	–	–	–	1,529	1,529	–	1,529
Disposals of subsidiaries	–	–	183	–	–	(114)	–	–	69	–	69
Proceeds from issuance of shares	2,900	17,400	–	–	–	–	–	–	20,300	–	20,300
Share issue expenses	–	(1,431)	–	–	–	–	–	–	(1,431)	–	(1,431)
Proceeds from shares issued under share option scheme	6	5,024	–	–	(1,747)	–	–	–	3,283	–	3,283
Share options forfeited	–	–	–	–	(1,954)	–	–	1,954	–	–	–
Recognition of equity component of convertible bonds	–	–	–	–	–	–	1,700	–	1,700	–	1,700
Recognition of equity-settled share-based compensation	–	–	–	–	749	–	–	–	749	–	749
At 31 December 2007 and 1 January 2008	3,413	30,211	(327)	–	831	–	1,700	(16,630)	19,198	–	19,198
Loss for the year	–	–	–	–	–	–	–	(15,729)	(15,729)	(4,215)	(19,944)
Total recognised income and expense for the year	–	–	–	–	–	–	–	(15,729)	(15,729)	(4,215)	(19,944)
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	23,852	23,852
Recognition of equity-settled share-based compensation	–	–	–	–	2,706	–	–	–	2,706	–	2,706
Arising from loans from ultimate holding company	–	–	–	4,877	–	–	–	–	4,877	–	4,877
Currency translation	–	–	–	–	–	74	–	–	74	49	123
At 31 December 2008	**3,413**	**30,211**	**(327)**	**4,877**	**3,537**	**74**	**1,700**	**(32,359)**	**11,126**	**19,686**	**30,812**

Notes to the Financial Statements
For the year ended 31 December 2008

1. General Information

Honbridge Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Revision) of the Cayman Islands. The address of the Company's registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands and the Company's principal place of business is Suite 2703, 27th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 17 to the financial statements. The Company and its subsidiaries are together defined to as the "Group" hereinafter. The directors of the Company consider ultimate holding company to be Hong Bridge Capital Limited ("Hong Bridge"), a company incorporated in the British Virgin Islands with limited liability.

The financial statements on pages 24 to 87 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The financial statements for the year ended 31 December 2008 were approved for issue by the board of directors on 26 March 2009.

2. Adoption of New or Amended HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2008.

HK (IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HKAS 39 (Amendments)	Reclassification of Financial Assets

The new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

2. Adoption of New or Amended HKFRSs (Continued)

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 (Amendment)	Improving Disclosure about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 2 (Amendment)	Members' Shares in Co-operative Entities and Similar Instruments[1]
HK(IFRIC) – Int 9 and HKAS 39 (Amendment)	Reassessment of Embedded Derivatives[6]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[5]
Various	Annual Improvements to HKFRS 2008[7]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for transfers received on or after 1 July 2009
6 Effective for annual periods ending on or after 30 June 2009
7 Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS

2. Adoption of New or Amended HKFRSs (Continued)

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Among these new standards and interpretations, HKAS 1 (Revised) *Presentation of Financial Statements* is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 *Operating Segments* may result in new or amended disclosures. The directors of the Company are in the progress of identifying reportable operating segments as defined in HKFRS 8.

The directors of the Company are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors of the Company have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

3. Summary of Significant Accounting Policies

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared under historical cost conversion. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

In preparing the financial statements for the year ended 31 December 2008, the directors of the Company have given considerations to the future financial positions of the Group and the Company in light of the net current liabilities of approximately HK$11,875,000 (2007: net current assets: HK$31,074,000) and HK$11,948,000 (2007: net current assets: HK$31,075,000), respectively as at 31 December 2008 and the Group's loss attributable to the equity holders of the Company for the year of approximately HK$15,729,000 for the year ended 31 December 2008 (2007: a profit of HK$1,529,000). The directors of the Company are taking active steps to improve the financial positions of the Group and the Company as described below.

3. Summary of Significant Accounting Policies (Continued)

3.1 Basis of preparation (Continued)

The financial statements have been prepared on the assumption that the Group and the Company will continue to operate as a going concern notwithstanding these conditions prevailing as at 31 December 2008 and subsequently thereto up to the date of approval of these financial statements. In order to improve the Group's and the Company's financial positions, immediate liquidity and cash flows, the directors of the Company have adopted several measures together with other measures in progress at the date of approval of these consolidated financial statements which include, but not limited to, the following:

(i) Hong Bridge provides continuing financial support to the Group and expresses its willingness to provide adequate funds for the Group to meet its liabilities and obligations as and when they fall due for the period at least up to 31 December 2009;

(ii) Mr. Liu Xiangmao, a 40% minority equity holder of the Group's major subsidiary, Divine Mission Holdings Limited, provides continuing financial support to Divine Mission Holdings Limited and its subsidiaries ("Divine Mission Group"), and expresses his willingness to provide adequate funds for Divine Mission Group to meet its liabilities and obligations as and when they fall due for the period at least up to 31 December 2009;

(iii) Hong Bridge undertakes that on or before the maturity date on 16 October 2009 of the convertible bond in the principal amount of HK$14,700,000, Hong Bridge will either convert the convertible bond into ordinary shares of the Company or will enter into at least one year term of new convertible bond arrangement with the Company; and

(iv) The Group is at the final stage to complete new silicon production line. These newly developed silicon products are having substantially higher selling prices and market demand than its existing products.

As such, the directors of the Company are satisfied that both the Group and the Company will be able to meet in full their financial obligations as they fall due for the foreseeable future without significant curtailments of operations. Accordingly, the financial statements have been prepared on a going concern basis.

Should these measures be failed or insufficient, or should the going concern basis be inappropriate, adjustments would have to be made to the financial statements to write down the value of the Group's and the Company's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities to current assets and current liabilities, respectively. The effect of the potential adjustments has not been reflected in the financial statements.

3. Summary of Significant Accounting Policies (Continued)

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see note 3.3 below) made up to 31 December each year.

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

3. Summary of Significant Accounting Policies (Continued)

3.4 Foreign currency translation

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the balance sheet date. Income and expenses have been converted into the HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated into HK$ at the closing rates.

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3. Summary of Significant Accounting Policies (Continued)

3.5 Revenue recognition

Revenue comprises the fair value for the sale of goods and rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- Sale of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

- Sale of magazines is recognised when the magazines are delivered and title has passed, with advance subscription fee received from subscribers recorded as receipts in advance.

- Advertising income is recognised on the date of the relevant publication issue or on time basis by reference to the period in which the advertisement is published.

- Promotion and marketing income is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

- Interest income is recognised on a time-proportion basis using the effective interest method.

3.6 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary.

Goodwill represents the excess of the cost of a business combination or an investment over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination or investment in a jointly controlled entity is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination or investment.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3.10).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or a jointly controlled entity is recognised immediately in the income statement.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3.7 Borrowing costs

All borrowing costs are expensed when incurred.

3. Summary of Significant Accounting Policies (Continued)

3.8 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

Depreciation on property, plant and equipment, other than construction in progress, is provided to write off the cost less their estimated residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold buildings	5% or over the lease term, whichever is shorter
Leasehold improvements	20% or over the lease term, whichever is shorter
Plant and machinery	10% to 20%
Furniture and office equipment	20%
Motor vehicles	20%

The assets' estimated residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction in progress represents leasehold buildings, plant and machinery under construction and is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3.9 Prepaid land lease payments

Prepaid land lease payments represented up-front payments to acquire the land use rights. They are stated at cost less accumulated amortisation and accumulated impairment loss. Amortisation is calculated on the straight-line method over the lease term except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

3. Summary of Significant Accounting Policies (Continued)

3.10 Impairment of non-financial assets

Goodwill arising on an acquisition of subsidiaries, property, plant and equipment, prepaid land lease payments and investments in subsidiaries are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment loss recognised for cash-generating units, to which goodwill has been allocated, are credited to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Summary of Significant Accounting Policies (Continued)

3.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges as the lessee

Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to the income statement on the straight-line method over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

3.12 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries are set out below.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way of purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus in case of investments not at fair value through the income statement, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

3. Summary of Significant Accounting Policies (Continued)

3.12 Financial assets (Continued)

Impairment of financial assets

At each balance sheet date, loans and receivables are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement of the period in which the reversal occurs.

3.13 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average basis, and in case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

3. Summary of Significant Accounting Policies (Continued)

3.14 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.15 Cash and cash equivalents

For the purposes of the balance sheets and the consolidated cash flow statement, cash and cash equivalents include cash at bank and in hand.

3.16 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3. Summary of Significant Accounting Policies (Continued)

3.17 Retirement benefit costs and short-term employee benefits

Retirement benefits to employees are provided through several defined contribution plans. For details of the retirement benefits schemes, please refer to note 36 to the financial statements.

Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contribution recognised in respect to defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

Pursuant to the relevant regulations of the People's Republic of China (the "PRC ") government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the Group is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the income statement as incurred. There were no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.18 Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

3. Summary of Significant Accounting Policies (Continued)

3.18 Share-based employee compensation (Continued)

All share-based compensation is ultimately recognised as an expense in income statement with a corresponding increase in employee compensation reserve. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in employee compensation reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to accumulated losses.

3.19 Financial liabilities

The Group's financial liabilities include trade payables, other payables, borrowings, convertible bonds, loans from ultimate holding company and amount due to a subsidiary. They are included in balance sheet items as "Trade payables", "Other payables, accrued expenses and receipts in advance", "Borrowings", "Convertible bonds", "Loans from ultimate holding company" and "Amount due to a subsidiary".

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Borrowings and loans from ultimate holding company

Borrowings and loans from ultimate holding company are recognised initially at fair value, net of transaction costs incurred. Borrowings and loans from ultimate holding company are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement/other reserve over the period of borrowings/loans from ultimate holding company using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3. Summary of Significant Accounting Policies (Continued)

3.19 Financial liabilities (Continued)

Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bond issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as convertible bonds equity reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bond.

When the bond is converted, the convertible bonds equity reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the convertible bonds equity reserve is released directly to accumulated losses.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.20 Research and development costs

Cost associated with research activities are expensed in the income statement as they occur. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) the intangible asset will generate probable economic benefits through internal use or sale;

(iii) sufficient technical, financial and other resources are available for completion; and

(iv) the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

3. Summary of Significant Accounting Policies (Continued)

3.21 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisaton, if appropriate.

3.22 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of business segment reporting, unallocated costs include corporate expenses and other expenses that cannot be allocated on a reasonable basis to the reportable segments. Segment assets consist primarily of property, plant and equipments, prepaid land lease payments, goodwill, inventories, receivables and operating cash, and mainly exclude corporate assets. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment, prepaid land lease payments, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

3. Summary of Significant Accounting Policies (Continued)

3.23 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has join control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.10. The recoverable amounts of cash-generating units have been determined based on fair value less costs to sell calculations. These calculations require the use of estimates. When fair value less costs to sell calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

4. Critical Accounting Estimates and Judgements (Continued)

Critical accounting estimates and assumptions (Continued)

(ii) Impairment of assets (other than financial assets and goodwill)

The Group assesses impairment at each balance sheet date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors of the Company take into consideration assumptions that are mainly based on market conditions existing at the balance sheet dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(iii) Net realisable value of inventories

These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the balance sheet date.

(iv) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of the customers and current market conditions. When the Group's management determines that there are indicators of significant financial difficulties of the trade debtors such as default or delinquency in payments, impairment of receivables are estimated. The Group's management reassesses the impairment of receivables at the balance sheet dates.

When the Group's management determines the receivables are uncollectible, they are written off against the impairment provision of receivables.

(v) Valuation of share option granted

The fair value of share option granted was calculated using the Black-Scholes valuation model based on the Group's management's significant inputs into calculation including an estimated life of share options granted to be two and a half years to ten years, based on exercise restrictions and behavioural consideration, the volatility of share price, weighted average share prices and exercise price of the share options granted. Furthermore, the calculation assumes nil future dividends.

(vi) Valuation of convertible bonds

On initial recognition, the fair value of convertible bonds that are not traded in an active market is determined by using discounted cash flow method. The Group uses its judgement to make assumptions that are mainly based on market conditions existing at the issue date. Details of the key assumptions are disclosed in note 29.

(vii) Depreciation and amortisation

The Group depreciates the property, plant and equipment and amortises the prepaid land lease payments in accordance with the accounting policies stated in notes 3.8 and 3.9 respectively. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the assets.

5. Revenue

Revenue, which is also the Group's turnover, represents total invoiced value of goods supplied and income from provision of services. Revenue recognised during the year is as follows:

	2008 HK$'000	2007 HK$'000
Sale of silicon products	**29,626**	–
Sale of magazines	**3,283**	9,575
Advertising income	**12,598**	43,783
Promotion and marketing income	**9,584**	14,485
	55,091	67,843

6. Segment Information

Primary reporting format – business segments

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary of details of the business segments are as follows:

(i) "Silicon products" segment involves production and sale of silicon products; and

(ii) "Publications" segment involves the publishing, advertising, promotional and marketing services.

6. Segment Information (Continued)

Primary reporting format – business segments (Continued)

Year ended 31 December 2008

	Silicon products HK$'000	Publications HK$'000	Total HK$'000
Segment revenue	29,626	25,465	55,091
Segment results	(9,910)	76	(9,834)
Unallocated income			172
Unallocated expenses			(7,707)
Finance costs			(2,575)
Loss before income tax			(19,944)
Income tax expense			–
Loss for the year			(19,944)
Segment assets	109,417	6,545	115,962
Unallocated assets			21,744
Total assets			137,706
Segment liabilities	22,117	7,725	29,842
Unallocated liabilities			77,052
Total liabilities			106,894
Capital expenditure	53,848	112	53,960
Depreciation	1,556	83	1,639
Amortisation charge	259	–	259
Reversal of impairment and written off of receivables	–	(52)	(52)
Impairment of property, plant and equipment	5,349	–	5,349
Impairment of inventories	5,139	–	5,139
Loss on disposals of property, plant and equipment	1	–	1

For the year ended 31 December 2007, no business segment information is presented as the Group's operation related solely to the magazine publication.

6. Segment Information (Continued)

Secondary reporting format – geographical segments

The Group's operations are located in two main geographical areas. The following table provides an analysis of the Groups' sales by location of customers, irrespective of the origin of the goods and services.

Revenue by geographical markets:

	2008 HK$'000	2007 HK$'000
Hong Kong	**25,465**	61,682
Mainland China	**29,626**	6,161
	55,091	67,843

The following is an analysis of the carrying amount of segment assets, and additional to property, plant and equipment and prepaid land lease payments, analysed by the geographical areas in which the assets are located.

	Segment assets		Capital expenditure	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Hong Kong	**10,847**	41,759	**146**	1,518
Mainland China	**126,859**	–	**53,814**	–
	137,706	41,759	**53,960**	1,518

7. Other Operating Revenue

	2008 HK$'000	2007 HK$'000
Interest income	**162**	79
Sundry income	**318**	113
	480	192

8. Operating (Loss)/Profit

	2008 HK$'000	2007 HK$'000
Operating (loss)/profit is arrived at after charging/(crediting):		
Auditors' remuneration	480	350
Cost of inventories recognised as expense	26,170	–
Depreciation	1,639	285
Amortisation of prepaid land lease payments	259	–
Minimum lease payments paid under operating leases in respect of rental premises	329	283
Net foreign exchange loss	97	162
Other operating income:		
– Gain on disposals of subsidiaries (note 39)	–	(5,480)
Other operating expenses:		
– Trade receivables written off	6	–
– (Reversal of)/charge on impairment and written off of receivables	(52)	852
– Impairment of property, plant and equipment	5,349	–
– Loss on disposals of property, plant and equipment	1	–
– Impairment of inventories	5,139	–
– Research and development costs	437	–
Other operating expenses/(income), net	10,880	(4,628)

9. Finance Costs

	2008 HK$'000	2007 HK$'000
Interest charges on other borrowings wholly repayable within five years	574	–
Imputed interest on convertible bonds	832	169
Imputed interest on loans from ultimate holding company	1,169	–
	2,575	169

10. Income Tax Expense

For each of the years ended 31 December 2008 and 31 December 2007, no provision for Hong Kong profits tax has been provided in the financial statements as the Group has tax losses brought forward from previous years to offset against the assessable profit derived from Hong Kong for the years.

Taxation on profits assessable elsewhere have been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during both years.

The Hong Kong Special Administrative Region Government enacted a reduction in the Profits Tax Rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. Accordingly, the relevant current and deferred tax liabilities have been calculated using the new tax rate of 16.5%.

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises were unified at 25% and became effective from 1 January 2008. Subsequent to 16 March 2007, the implementation measure on transitional policy of preferential tax rate was announced and the Group's entitlement to the tax holiday and tax relief is still applicable. Upon expiry of the tax holiday and tax relief, the new PRC corporate income tax rate of 25% is applicable to 濟寧凱倫光伏材料有限公司 ("Kailun PV (Jining)"), being a subsidiary of the Group established as wholly foreign-owned enterprise in the PRC.

Tax has not been provided by the Company as the Company had no estimated assessable profit arising in or derived from Hong Kong (2007: Nil).

Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2008 **HK$'000**	2007 HK$'000
(Loss)/profit before income tax	**(19,944)**	1,529
Tax on (loss)/profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**(4,178)**	279
Tax effect of non-deductible expenses	**4,350**	1,502
Tax effect of non-taxable revenue	**(28)**	(1,207)
Tax effect of prior year's unrecognised tax losses utilised this year	**(53)**	(534)
Tax effect of unrecognised tax losses	**43**	–
Tax effect on temporary difference not recognised	**(5)**	(40)
Tax concession	**(129)**	–
Income tax expense	**–**	–

11. (Loss)/Profit Attributable to Equity Holders of the Company

Of the consolidated loss attributable to the equity holders of the Company of HK$15,729,000 (2007: profit of HK$1,529,000), a loss of HK$9,445,000 (2007: a loss of HK$2,820,000) has been dealt with in the financial statements of the Company.

12. (Loss)/Earnings Per Share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK$15,729,000 (2007: profit of HK$1,529,000) and on the weighted average of approximately 3,412,720,000 (2007: 1,120,782,000) ordinary shares in issue during the year.

(b) Dilutive (loss)/earnings per share

For the year ended 31 December 2008, diluted loss per share was not presented because the impact of the exercise of the share options and convertible bonds was anti-dilutive.

For the year ended 31 December 2007, the calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of HK$1,698,000 and the weighted average number of 1,563,846,000 ordinary shares, calculated as follows:

(i) Profit attributable to equity holders of the Company (diluted)

	2007 HK$'000
Profit attributable to equity holders of the Company	1,529
After tax effect of imputed interest on liability component of convertible bonds	169
	1,698

(ii) Weighted average number of ordinary shares (diluted)

	2007 '000
Weighted average number of ordinary shares at 31 December 2007	1,120,782
Effect of deemed issue of shares under the Company's share option scheme	50
Effect of deemed issue of shares on conversion of convertible bonds	443,014
Weighted average number of ordinary shares (diluted) at 31 December 2007	1,563,846

13. Employee Benefit Expense (Including Directors' Emoluments)

	2008 HK$'000	2007 HK$'000
Wages and salaries	13,506	17,040
Share-based payment	2,706	749
Pension costs – defined contribution plans	406	638
	16,618	18,427

Included in staff costs are key management personnel compensation and comprises the following categories:

	2008 HK$'000	2007 HK$'000
Short-term employee benefits	2,966	3,822
Post-employment benefits	36	63
Share-based payment	2,681	706
	5,683	4,591

14. Directors' Remuneration and Senior Management's Emoluments

(a) Directors' emoluments

The emoluments paid or payable to the directors were as follows:

	Fees HK$'000	Salaries and allowances HK$'000	Contribution to defined contribution plan HK$'000	Equity-settled share-based payment expenses HK$'000	Total HK$'000
Year ended 31 December 2008					
Executive directors					
HE Xuechu	696	–	12	–	708
LIU Wei, William	804	–	12	1,277	2,093
SHI Lixin	–	717	–	1,277	1,994
Independent non-executive directors					
CHAN Chun Wai, Tony	120	–	–	–	120
FOK Hon	120	–	–	–	120
MA Gang	120	–	–	–	120
	1,860	717	24	2,554	5,155

14. Directors' Remuneration and Senior Management's Emoluments (Continued)

(a) Directors' emoluments (Continued)

	Date of appointment/ resignation	Fees	Salaries and allowances	Contribution to defined contribution plan	Equity-settled share-based payment expenses	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2007						
Executive directors						
HE Xuechu	Appointed on 16 October 2007	152	–	1	–	153
LIU Wei William	Appointed on 16 October 2007	172	–	1	353	526
SHI Lixin	Appointed on 16 October 2007	–	152	–	353	505
NG Hung Sang	Resigned on 16 October 2007	–	–	–	–	–
NG Yuk Fung Peter	Resigned on 16 October 2007	8	466	10	–	484
FOO Kit Tak	Resigned on 28 May 2007	–	157	5	–	162
CHEUNG Mei Yu	Resigned on 2 April 2007	–	153	8	–	161
Non-executive director						
NG Yuk Mui, Jessica	Resigned on 16 October 2007	8	–	–	–	8
Independent non-executive directors						
CHAN Chun Wai, Tony	Appointed on 16 October 2007	25	–	–	–	25
FOK Hon	Appointed on 16 October 2007	25	–	–	–	25
MA Gang	Appointed on 16 October 2007	25	5	–	–	30
SO Siu Ming, George	Resigned on 16 October 2007	40	–	–	–	40
PONG Oi Lan, Scarlett	Resigned on 16 October 2007	40	–	–	–	40
CHENG Yuk Wo	Resigned on 16 October 2007	40	–	–	–	40
		535	933	25	706	2,199

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: Nil).

14. Directors' Remuneration and Senior Management's Emoluments (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2007: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2007: four) individuals during the year are as follows:

	2008 HK$'000	2007 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,481**	2,354
Share-based payment	**128**	–
Pension – defined contribution plans	**36**	38
	2,645	2,392

The emoluments fell within the following band:

	Number of individuals 2008	 2007
Emolument band		
Nil – HK$1,000,000	**3**	4

During the year, no emoluments were paid by the Group to the directors or the three (2007: four) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. Property, Plant and Equipment

Group

	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2007							
Cost	–	486	–	1,130	–	–	1,616
Accumulated depreciation and impairment	–	(424)	–	(638)	–	–	(1,062)
Net book amount	–	62	–	492	–	–	554
Year ended 31 December 2007							
Opening net book amount	–	62	–	492	–	–	554
Additions	–	917	–	601	–	–	1,518
Depreciation	–	(96)	–	(189)	–	–	(285)
Disposals of subsidiaries (note 39)	–	(22)	–	(472)	–	–	(494)
Closing net book amount	–	861	–	432	–	–	1,293
At 31 December 2007							
Cost	–	898	–	455	–	–	1,353
Accumulated depreciation	–	(37)	–	(23)	–	–	(60)
Net book amount	–	861	–	432	–	–	1,293
Year ended 31 December 2008							
Opening net book amount	–	861	–	432	–	–	1,293
Acquisition of subsidiaries (note 38)	8,392	–	11,740	181	801	1,679	22,793
Additions	–	–	76	219	–	9,530	9,825
Transfers	93	–	–	–	–	(93)	–
Disposals	–	–	–	–	(2)	–	(2)
Depreciation	(248)	(180)	(939)	(154)	(118)	–	(1,639)
Impairment loss	(342)	–	(5,007)	–	–	–	(5,349)
Exchange realignment	79	–	108	2	7	61	257
Closing net book amount	**7,974**	**681**	**5,978**	**680**	**688**	**11,177**	**27,178**
At 31 December 2008							
Cost	8,565	898	11,928	857	805	11,177	34,230
Accumulated depreciation and impairment	(591)	(217)	(5,950)	(177)	(117)	–	(7,052)
Net book amount	**7,974**	**681**	**5,978**	**680**	**688**	**11,177**	**27,178**

Note:

For the year ended 31 December 2008, the directors of the Company reviewed the carrying amount of property, plant and equipment with reference to the businesses operated by the Group. Impairment loss for leasehold buildings of HK$342,000, and plant and machinery of HK$5,007,000 has been identified and recognised in the consolidated income statement (2007: Nil).

At the balance sheet date, the building ownership certificates of the Group's leasehold buildings have not yet been obtained. The land use rights certificates where these buildings are situated have already been obtained and have been included in the prepaid land lease payments (note 16). In the opinion of the independent PRC legal advisors of Kailun PV (Jining), Kailun PV (Jining) is entitled to obtain the building ownerships certificates without legal impediment and is entitled to lawfully and validly use the buildings during the year.

15. Property, Plant and Equipment (Continued)

Company

	Leasehold improvements HK$'000	Furniture and office equipment HK$'000	Total HK$'000
At 1 January 2007			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net book amount	–	–	–
Year ended 31 December 2007			
Opening net book amount	–	–	–
Additions	898	142	1,040
Depreciation	(37)	(6)	(43)
Closing net book amount	861	136	997
At 31 December 2007			
Cost	898	142	1,040
Accumulated depreciation	(37)	(6)	(43)
Net book amount	861	136	997
Year ended 31 December 2008			
Opening net book amount	861	136	997
Additions	–	34	34
Depreciation	(180)	(34)	(214)
Closing net book amount	**681**	**136**	**817**
At 31 December 2008			
Cost	898	176	1,074
Accumulated depreciation	(217)	(40)	(257)
Net book amount	**681**	**136**	**817**

16. Prepaid Land Lease Payments

Group

	2008 HK$'000	2007 HK$'000
At 1 January		
Cost	–	–
Accumulated amortisation	–	–
Net book amount	–	–
For the year ended 31 December 2008		
Opening net book amount	–	–
Acquisition of subsidiaries (note 38)	21,342	–
Amortisation	(259)	–
Exchange realignment	202	–
Net book amount	21,285	–
At 31 December		
Cost	21,545	–
Accumulated amortisation	(260)	–
Net book amount	21,285	–

The prepaid land lease payments represented up-front payments to acquire long-term interest in the usage of land situated in the PRC, which are held under medium term leases.

17. Investments in Subsidiaries

Company

	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	83,730	12,266
Less: Impairment loss recognised	(5,000)	(5,000)
	78,730	7,266

During the year, the directors reviewed the carrying value of investment in a subsidiary with reference to the business operated by the subsidiary. For the year ended 31 December 2008, no impairment loss (2007: HK$5,000,000) has been further identified and recognised in the Company's income statement.

17. Investments in Subsidiaries (Continued)

Company (Continued)

Particulars of the principal subsidiaries at 31 December 2008 are as follows:

Name of subsidiary	Place of incorporation and kind of legal entity	Particulars of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Divine Mission Holdings Limited ("Divine Mission') (i)	British Virgin Islands, limited liability company	20,000 ordinary shares of US$1 each	60%	–	Investment holding
Great Ready Assets Limited	British Virgin Islands, limited liability company	3 ordinary shares of US$1 each	100%	–	Investment holding
Kailun Photovoltaic Materials Investments Limited (i)	Hong Kong, limited liability company	10,000,000 ordinary shares of HK$1 each	–	60%	Investment holding
Kailun PV (Jining) (i)	PRC, limited liability company	Registered capital of US$10,000,000	–	60%	Production and sale of silicon products
Beforward Trading Limited	British Virgin Islands, limited liability company	2 ordinary shares of US$1 each	–	100%	Investment holding
Honbridge Management Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Provision of employee and personnel services and holding of a lease agreement
Jessicacode Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Publication of "旭茉JESSICACODE" magazine
Superb Taste Company Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Publication of "味道LISA" magazine

(i) acquired during the year ended 31 December 2008.

The financial statements of the above subsidiaries are audited by Grant Thornton for statutory purpose or Group consolidation purpose.

18. Goodwill

Group

The amount of the goodwill capitalised as an asset recognised in the consolidated balance sheet, arising from business combinations, is as follows:

	2008 HK$'000
At 1 January	
Gross carrying amount	–
Accumulated impairment	–
Net carrying amount	–
Carrying amount at 1 January	–
Acquisition of subsidiaries (note 38)	35,686
Impairment losses	–
Net carrying amount at 31 December	35,686
At 31 December	
Gross carrying amount	35,686
Accumulated impairment	–
Net carrying amount	35,686

The recoverable amounts for the cash generating units given above were determined based on fair value less costs to sell calculations, covering a detailed five-year budget plan, followed by an extrapolation of expected cash flows at the growth rates stated below. The growth rates reflect the long term average growth rates for the product lines of the cash generating units.

The key assumptions used in the budget plan estimated by the Group's management with reference to the valuation performed by Roma Appraisals Limited, an independent firm of professional valuers, are:

Growth rate	10%
Discount rate	11%

The Group's management's key assumptions for the Group include stable profits margin, have been determined based on past performance and its expectations for the market share after taking into consideration published market forecast and research. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Apart from the considerations described in determining the fair value less costs to sell of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its estimates.

19. Deposits

Group

The amounts represented the Group's deposits paid for the acquisition of property, plant and equipment as at 31 December 2008.

20. Inventories

Group

	2008 HK$'000	2007 HK$'000
Raw materials	**4,644**	–
Finished goods	**9,425**	–
	14,069	–

For the year ended 31 December 2008, the inventories impairment loss of HK$5,139,000 (2007: Nil) was included in the consolidated income statement.

21. Trade and Bills Receivables

Group

	2008 HK$'000	2007 HK$'000
Trade receivables	**5,487**	5,857
Less: Impairment of trade receivables	**(355)**	(443)
Trade receivables, net	**5,132**	5,414
Bills receivables	**1,020**	–
Trade and bills receivables, net	**6,152**	5,414

21. Trade and Bills Receivables (Continued)

Group (Continued)

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the provision for impairment of trade receivables is as follows:

	2008 HK$'000	2007 HK$'000
At 1 January	**443**	1,387
Amounts written off	**(36)**	(171)
Impairment loss and allowances (reversal)/charged to the income statement	**(52)**	735
Disposals of subsidiaries	**–**	(1,508)
At 31 December	**355**	443

At each of the balance sheet date, the Group's trade and bills receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised. The Group does not hold any collateral over these balances.

The Group allows a credit period from 30 days to 120 days to its trade customers. The following is an aged analysis of net trade and bills receivables at the balance sheet date:

	2008 HK$'000	2007 HK$'000
0 – 30 days	**2,518**	2,342
31 – 60 days	**1,455**	1,622
61 – 90 days	**469**	174
91 to 180 days	**1,495**	1,243
Over 180 days	**215**	33
	6,152	5,414

21. Trade and Bills Receivables (Continued)

Group (Continued)

The ageing analysis of trade and bills receivables that were past due as at the balance sheet date but not impaired, based on the due date is as follows:

	2008 HK$'000	2007 HK$'000
Neither past due nor impaired	**1,652**	2,462
1 – 90 days past due	**2,805**	2,430
91 – 180 days past due	**1,477**	495
Over 180 days past due	**218**	27
	4,500	2,952
	6,152	5,414

Trade and bills receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade and bills receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not be a significant change in credit quality and the balances are still considered fully recoverable. The Group does not held any collateral over these balances.

22. Prepayents and Other Receivables

Group

	2008 HK$'000	2007 HK$'000
Deposits	**100**	–
Prepayments	**3,764**	–
Other receivables	**5,236**	1,300
	9,100	1,300

22. Prepayents and Other Receivables (Continued)

Company

	2008 HK$'000	2007 HK$'000
Prepayments	150	175
Other receivables	41	2
	191	177

Other receivable of the Company and of the Group that were neither past due nor impaired related to a wide range of debtors for whom there was no recent history of default.

23. Amount Due From/(To) A Subsidary

Company

The amounts due are unsecured, interest-free and repayable on demand.

24. Cash and Cash Equivalents

Cash and cash equivalents include the following components:

Group

	2008 HK$'000	2007 HK$'000
Cash at banks and in hand	20,776	33,752

Company

	2008 HK$'000	2007 HK$'000
Cash at banks and in hand	1,680	31,331

Cash at bank earns interest at floating rates based on the daily bank deposit rates.

As at 31 December 2008, the Group had cash and bank balances denominated in Renminbi ("RMB") amounting to approximately HK$17,442,000 (2007: Nil), which were deposited with the banks in the PRC and held in hand. RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

25. Trade Payables

Group

The credit terms of trade payables vary according to the terms agreed with different suppliers. The following is an aged analysis of trade payables at the balance sheet date:

	2008 HK$'000	2007 HK$'000
0 – 30 days	363	511
31 – 60 days	694	1,172
61 – 90 days	2,054	1,394
91 – 180 days	1,894	1,448
Over 180 days	2,505	850
	7,510	5,375

26. Other Payables, Accrued Expenses and Receipts in Advance

Group

	2008 HK$'000	2007 HK$'000
Other payables	20,239	1,486
Accrued expenses	1,982	2,467
Receipts in advance	128	64
	22,349	4,017

Company

	2008 HK$'000	2007 HK$'000
Other payables	–	11
Accrued expenses	17	421
	17	432

27. Borrowings

Group

	Notes	Original currency	2008 HK$'000	2007 HK$'000
Non-current				
Government loans – unsecured	(i)	RMB	937	–
Current				
Government loans – unsecured	(i)	RMB	1,444	–
Bank loans – unsecured	(ii)	RMB	5,670	–
Other loans – unsecured	(iii)	RMB	10,998	–
			18,112	–
Total borrowings			19,049	–

At 31 December 2008, the Group's borrowings were repayable as follows:

	2008 HK$'000	2007 HK$'000
Government loans repayable:		
Within one year or on demand	1,444	–
In the second year	340	–
In the third to fifth years, inclusive	597	
	2,381	–
Bank loans repayable:		
Within one year or on demand	5,670	–
Other loans repayable:		
Within one year or on demand	10,998	–

Notes:

(i) Government loans comprise an interest free loan of HK$1,247,000 (the "Government Interest Free Loan") granted by the local government of the PRC. The local government of the PRC agreed to waive the repayment of the Government Interest Free Loan on the conditions that the projects in the local county satisfied the requirements set by the local government. Other government loans of HK$1,134,000 are unsecured and interest-free.

(ii) Bank loans was guaranteed by 濟寧市天翔機械制造有限公司. The Group has not recognised the financial impact in respect of this guarantee as its fair value cannot reliably measured and no transaction price was recorded. The interest rate of bank loans is 6.64‰ per month.

(iii) Other loans are unsecured and bear floating interest rate which is based on the monthly interest rate of The People's Bank of China.

In the opinion of the directors, the carrying values of the current borrowings are considered to be a reasonable approximation of fair values due to their short term maturities.

28. Loans From Ultimate Holding Company

Group and Company

The loans are unsecured and repayable in the amount of HK$45,000,000 on 5 June 2011 and in the amount of HK$2,000,000 on 25 November 2011. The loans are interest-free in the first two years and bear interest at prime rate minus 1.25% per annum in the third year.

The fair value of the liability component, included in the loans from ultimate holding company, was calculated using a market interest rate. The residual amount, representing the difference arising from at fair value and at the nominal value of the loans from ultimate holding company, is included in shareholders' equity in other reserve.

The fair value of the liability component of the loans from ultimate holding company was calculated using cash flows discounted at a rate based on the estimated discount rate of 5%.

Interest expense on the loans from ultimate holding company is calculated using the effective interest method by applying effective interest rate of 5% to the liability component.

29. Convertible Bonds

Group and Company

	2008 HK$'000	2007 HK$'000
Convertible bonds	**14,001**	13,169

The convertible bonds were issued on 16 October 2007. The bonds are convertible into ordinary shares of the Company at any time between the date of issue of the bonds and their settlement date. The bonds can be converted into approximately 143 ordinary shares per HK$1 bond at par.

If the bonds are not converted, they will be redeemed on 16 October 2009 at par. The convertible bonds do not bear any interest.

The fair value of the liability component, included in the convertible bonds, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in convertible bonds equity reserve, net of deferred taxes.

The carrying amount of the convertible bonds is denominated in HK$.

At 31 December 2008, the convertible bonds are repayable as follows:

	2008 HK$'000	2007 HK$'000
Within one year	**14,001**	–
In the second year	**–**	13,169
	14,001	13,169

29. Convertible Bonds (Continued)

Group and Company (Continued)

The convertible bonds recognised in the balance sheet are calculated as follows:

	2008 HK$'000	2007 HK$'000
Fair value of convertible bond	**14,700**	14,700
Equity component	**(1,700)**	(1,700)
Liability component on initial recognition	**13,000**	13,000
Imputed interest expense	**1,001**	169
Liability component at 31 December	**14,001**	13,169

The fair value of the liability component of the convertible bonds was calculated using cash flows discounted at a rate based on the estimated discount rate of 5.74%.

Interest expense on the convertible bonds is calculated using the effective interest method by applying effective interest rate of 6.34% to the liability component.

30. Deferred Tax Liabilities

Group

Deferred taxation is calculated in full on temporary differences under the liability method using the tax rates applicable in the tax jurisdiction concerned.

The following are the major deferred tax (assets) and liabilities recognised by the Group and movements thereon during the current and prior reporting years.

	Fair value adjustments arising from prepaid land lease payments HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2007	–	37	(37)	–
Charge/(credit) to income statement (note 10)	–	46	(46)	–
At 31 December 2007 and 1 January 2008	–	83	(83)	–
Charge/(credit) to income statement (note10)	–	(42)	42	–
Attributable to change in tax rates (note 10)	–	(3)	3	–
Acquisition of subsidiaries (note 38)	693	–	–	693
At 31 December 2008	**693**	**38**	**(38)**	**693**

30. Deferred Tax Liabilities (Continued)

Group (Continued)

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2008, the Group has unused tax losses of HK$705,000 (2007: HK$763,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$230,000 (2007: HK$474,000) of such losses which equals the taxable temporary differences relating to accelerated tax depreciation. No deferred tax asset has been recognised in respect of the remaining HK$475,000 (2007: HK$289,000) due to the unpredictability of future profit streams. This tax loss has no expiry date.

Company

No deferred tax has been provided in the financial statements of the Company as there are no material temporary differences (2007: Nil).

31. Share Capital

	Number of shares '000	Total HK$'000
Authorised:		
Ordinary shares of HK$0.001 each at 31 December 2007 and 2008	1,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2007	506,640	507
Issue of shares during the year (note (i))	2,900,000	2,900
Employee share option scheme		
– proceeds from share issued (note (ii))	6,080	6
At 31 December 2007 and 2008	3,412,720	3,413

Notes:

(i) On 16 October 2007, 2,900,000,000 ordinary shares of HK$0.001 each were issued and allocated to Hong Bridge at a price of HK$0.007 per share.

(ii) During the year ended 31 December 2007, the issued share capital of the Company was increased due to the exercise of share options by the employees of the Company and other parties. Details of the share options exercised during the year ended 31 December 2007 are summarised in note 32.

All the new ordinary shares issued during the year ended 31 December 2007 have the same rights as other ordinary shares of the Company in issue.

32. Share-based Employee Compensation

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 20 December 2001 and became effective on 8 January 2002 for the primary purpose of providing incentives to directors and eligible employees and will be expired on 7 January 2012. Under the Share Option Scheme, the board of directors of the Company may offer to any director or employee of the Company, or any of its subsidiaries, options to subscribe for shares in the Company.

Under the Share Option Scheme, without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the aggregate number of shares in respect of which options may be granted to any individual in any year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

In order to provide the Company with greater flexibility in granting share options to eligible persons under the Share Option Scheme as incentive or rewards for their contribution to the Group, the board proposed to refresh the scheme mandate limit of the Share Option Scheme.

An ordinary resolution was passed in the annual general meeting, which was held on 14 March 2008 and the above refreshment of the scheme mandate limit of the Share Option Scheme was approved by the independent shareholders.

As at 31 December 2008, an aggregate of 21,440,000 (2007: 21,440,000) shares of the Company were issuable pursuant to share options granted under the Share Option Scheme, representing approximately 0.6% (2007: 0.6%) of the shares of the Company in issue at that date.

As at 31 December 2008, the total number of shares available for issue pursuant to the grant of further options under the Share Option Scheme was 319,832,000 (2007: 29,832,000), representing approximately 9.4% (2007: 0.9%) of the issued share capital of the Company as at 31 December 2008 and date of this Annual Report.

The consideration payable on the grant of an option is HK$1 for each grant transaction. Options may be exercised at any time within the exercisable period. The exercise price would be determined by the Board but in any case will not be less than higher of: (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a trading day; (2) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer; or (3) the nominal value of a share.

32. Share-based Employee Compensation (Continued)

The following tables set out the movement in the Share Option Scheme:

Year ended 31 December 2008:

		Number of share options				
Name or category of participant	**Share option type**	**Outstanding at 1 January 2008**	**Granted during the year**	**Exercised during the year**	**Forfeited during the year**	**Outstanding at 31 December 2008**
Executive director						
LIU Wei, William	2007	10,000,000	–	–	–	10,000,000
SHI Lixin	2007	10,000,000	–	–	–	10,000,000
Sub-total		20,000,000	–	–	–	20,000,000
Employees						
In aggregate	2007	1,200,000	–	–	–	1,200,000
Others						
In aggregate	2002 (a)	240,000	–	–	–	240,000
Total		21,440,000	–	–	–	21,440,000

32. Share-based Employee Compensation (Continued)

Year ended 31 December 2007:

Name or category of participant	Date of appointment/resignation	Share option type	Outstanding at 1 January 2007	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2007
			Number of share options				
Executive director							
LIU Wei, William	Appointed on 16 October 2007	2007	–	10,000,000	–	–	10,000,000
SHI Lixin	Appointed on 16 October 2007	2007	–	10,000,000	–	–	10,000,000
FOO Kit Tak	Resigned on 28 May 2007	2002 (a)	1,600,000	–	–	(1,600,000)	–
		2002 (b)	1,600,000	–	–	(1,600,000)	–
CHEUNG Mei Yu	Resigned on 2 April 2007	2002 (a)	1,600,000	–	–	(1,600,000)	–
		2002 (b)	1,600,000	–	–	(1,600,000)	–
Sub-total			6,400,000	20,000,000	–	(6,400,000)	20,000,000
Employees							
In aggregate		2002 (a)	1,600,000	–	(1,600,000)	–	–
		2002 (b)	1,760,000	–	(1,760,000)	–	–
		2007	–	1,200,000	–	–	1,200,000
Sub-total			3,360,000	1,200,000	(3,360,000)	–	1,200,000
Others							
In aggregate		2002 (a)	2,800,000	–	(2,080,000)	(480,000)	240,000
		2002 (b)	853,440	–	(640,000)	(213,440)	–
Sub-total			3,653,440	–	(2,720,000)	(693,440)	240,000
Total			**13,413,440**	**21,200,000**	**(6,080,000)**	**(7,093,440)**	**21,440,000**

Details of the share options are as follows:

Share option type	Date of grant	Exercisable period	Exercise price
2002 (a) (note i)	15 April 2002	15 April 2003 to 7 January 2012	HK$0.69
2002 (b) (note i)	2 September 2002	2 September 2003 to 7 January 2012	HK$0.31
2007 (note ii & iii)	22 November 2007	22 May 2008 to 7 January 2012	HK$1.20

32. Share-based Employee Compensation (Continued)

Notes:

(i) Share options granted on 15 April 2002 and 2 September 2002 are subject to a vesting period and became exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
Within 12 month	Nil
13th – 24th month	33 1/3%
25th – 36th month	33 1/3%
37th – 48th month and thereafter	33 1/3%

(ii) On 22 November 2007, the board of directors proposed to grant 21,200,000 share options to the Company's executive directors and employees of the Group at exercise price of HK$1.20 per share. The grant of share options was approved by the independent non-executive directors on 22 November 2007. Consideration of HK$5 in respect of these newly granted share options was received.

(iii) Share options granted on 22 November 2007 are subject to a vesting period of six months from the date of grant and became exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
Within 6 month	Nil
7th month thereafter	100%

(iv) For the year ended 31 December 2007, the share options exercised resulted in an equal number of ordinary shares (see also note 31).

(v) The fair values of options granted under the relevant Share Option Scheme on 15 April 2002, 2 September 2002 and 22 November 2007, measured at the date of grant, were approximately HK$5,024,000, HK$2,123,000 and HK$3,455,000 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	14 April 2002	2 September 2002	22 November 2007
Expected volatility	29%	56%	20%
Expected life (in years)	9.7	9.4	2.5
Risk-free interest rate	5%	5%	2%
Expected dividend yield	Nil	Nil	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

(vi) For the year ended 31 December 2008, employee compensation expense of HK$2,706,000 (2007: HK$749,000) has been included in the consolidated income statement, with a corresponding credit in employee compensation reserve. No liabilities were recognised due to share-based payment transactions.

(vii) Share options and weighted average exercise prices are as follows for the reporting period presented:

	2008		2007	
	Number of share options	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$
Outstanding at 1 January	**21,440,000**	**1.19**	13,413,440	0.53
Granted	–	–	21,200,000	1.20
Exercised	–	–	(6,080,000)	0.54
Forfeited	–	–	(7,093,440)	0.51
Outstanding at 31 December	**21,440,000**	**1.19**	21,440,000	1.19

The options outstanding at 31 December 2008 had exercise price of HK$0.69 or HK$1.20 (2007: HK$0.69 or HK$1.20) and a weighted average remaining contractual life of 3.0 years (2007: 4.9 years).

33. Reserves

Other reserve of the Company and of the Group represented to recognise the difference arising from at fair value and at the nominal value of the loans from a shareholder on initial recognition.

Employee compensation reserve of the Company and of the Group represented to recognise the share-based compensation in income statement with a corresponding credit to employee compensation reserve.

Group

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 29 of the consolidated financial statements.

Company

	Share premium	Other reserve	Employee compensation reserve	Convertible bonds equity reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2007	9,218	–	3,783	–	(9,120)	3,881
Loss for the year	–	–	–	–	(2,820)	(2,820)
Total recognised income and expense for the year	–	–	–	–	(2,820)	(2,820)
Proceeds from issuance of shares	17,400	–	–	–	–	17,400
Share issue expenses	(1,431)	–	–	–	–	(1,431)
Proceeds from shares issued under share option scheme	5,024	–	(1,747)	–	–	3,277
Share options forfeited	–	–	(1,954)	–	1,954	–
Recognition of equity component of convertible bonds	–	–	–	1,700	–	1,700
Recognition of equity-settled share-based compensation	–	–	749	–	–	749
At 31 December 2007 and 1 January 2008	30,211	–	831	1,700	(9,986)	22,756
Loss for the year	–	–	–	–	(9,445)	(9,445)
Total recognised income and expense for the year	–	–	–	–	(9,445)	(9,445)
Recognition of equity-settled share-based compensation	–	–	2,706	–	–	2,706
Arising from loans from ultimate holding company	–	4,877	–	–	–	4,877
At 31 December 2008	**30,211**	**4,877**	**3,537**	**1,700**	**(19,431)**	**20,894**

34. Operating Lease Commitments

Group

At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2008 HK$'000	2007 HK$'000
Within one year	**164**	329
In the second to fifth year inclusive	**–**	164
	164	493

The Group leases a number of rented premises under operating leases. The leases run for an initial period of two years. None of the leases include contingent rentals.

Company

The Company did not have any significant operating lease commitments as at 31 December 2008 and 2007.

35. Capital Commitments

Group

	2008 HK$'000	2007 HK$'000
Contracted but not provided for		
Property, plant and equipment	**2,396**	–

Company

The Company did not have any significant capital commitments as at 31 December 2008 and 2007.

36. Retirement Benefits Scheme

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The retirement benefits cost charged to consolidated income statement represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

For members of the MPF Scheme, the Group contributes 5% of the relevant payroll costs to the MPF Scheme, which contribution is matched by the employee. Both the employer's and employees' contribution are subject to a maximum of monthly earnings of HK$20,000 per employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employee's basic salary. The employees are entitled to receive their entire contributions and the accrued interest thereon, and 100% of the employer's contributions and the accrued interest thereon upon retirement or leaving the employer after completing 10 years of service or at a reduced scale of between 30% to 90% after completing 3 to 9 years of service.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. The amount of forfeited contributions utilised in this manner during the year was approximately HK$1,000 (2007: HK$66,000). There was no significant amount of forfeited contributions available to reduce future contribution payable by the Group as at 31 December 2008 and 2007.

Employees located in the PRC are covered by the retirement and pension schemes defined by local practice and regulations and which are essentially defined contribution schemes.

The calculation of contributions for the PRC eligible staff is based on certain percentage of the applicable payroll costs.

37. Related Party Transactions

Save as disclosed elsewhere in these financial statements, during the year, the Group had significant transactions with its related parties as follows:

(a) Mr. Ng Hung Sang, Robert, was a director of the Company for the period from 1 January 2007 to 16 October 2007, was also a substantial shareholder and a director of South China Holdings Limited in that period. Transactions with companies controlled by, or affiliated with, South China Holdings Limited (collectively referred to as "South China Group") were as follows:

(1)

		2008 HK$'000	2007 HK$'000
(i)	Purchase of services – Management fee	–	360
(ii)	Operating lease expenses	–	223
(iii)	Colour separation and photo processing fees	–	430
(iv)	Royalty income	–	77

The above transactions were made with reference to the terms negotiated between two parties.

(2) The Group entered into a mutual agreement with the South China Group that the South China Group has a right to use the title "旭茉Jessica" on publication of various magazines at a nominal value.

(3) On 16 August 2007, Great Ready Assets Limited ("Great Ready Assets"), being a company wholly-owned subsidiary of the Company, entered into an agreement with Win Gain Investments Limited ("Win Gain"), being a company wholly-owned by Mr. Ng Hung Sang, Robert, a director and substantial shareholder of the Company for the period from 1 January 2007 to 16 October 2007. Under the agreement, Great Ready Assets agreed to sell and Win Gain agreed to acquire the entire issued share capital of Jessica Publications (BVI) Limited at a consideration of HK$ 1,000,000, payable in cash.

Since Win Gain is a company wholly-owned by Mr. Ng Hung Sang, Robert, a director and substantial shareholder of the Company for the period from 1 January 2007 to 16 October 2007, Win Gain is a connected person of the Company. Under GEM Listing Rules, the transaction constitutes a connected transaction and major transaction for the Company. Further details of the transaction are set out in the Company's circular dated 14 September 2007.

An extraordinary general meeting of the Company was held on 12 October 2007 and the above transactions were approved by the independent shareholders. The transaction was completed on 16 October 2007.

(b) The Group occupies the office premises at Suite 2703, 27th Floor, Great Eagle Centre, Wan Chai, Hong Kong which is provided rent-free by Mr. He Xuechu, a substantial shareholder and a director of the Company.

38. Acquisition of Subsidiaries and Business Combination

On 20 May 2008, the Group acquired 2,000 ordinary shares of Divine Mission Group at consideration of US$1 million, representing 20% of the issued share capital of Divine Mission. On the same day, the Group subscribed for additional 10,000 ordinary shares of Divine Mission at consideration of US$8 million which was subsequently paid on 10 June 2008. After the subscription, the Group holds 60% of the issued share capital of Divine Mission. Divine Mission Group is principally engaged in production and sales of silicon products.

Details of the net assets acquired and goodwill are as follows:

	2008 HK$'000
Purchase consideration:	
– Consideration	70,200
– Direct costs relating to the acquisition	1,264
Total purchase consideration	71,464
Fair value of net assets acquired	(35,778)
Goodwill	35,686

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of Divine Mission Group.

38. Acquisition of Subsidiaries and Business Combination (Continued)

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000	Acquiree's carrying amount HK$'000
The assets and liabilities arising from the acquisition are as follows:		
Property, plant and equipment	22,793	22,793
Prepaid land lease payments	21,342	18,572
Deposits	537	537
Inventories	5,541	5,541
Trade and bill receivables	639	639
Prepayments and other receivables	7,703	7,703
Bank and cash balances	64,158	64,158
Trade payables	(5,073)	(5,073)
Other payables, accrued expenses and receipts in advance	(20,276)	(20,276)
Borrowings	(37,041)	(37,041)
Deferred tax liabilities	(693)	–
Net assets	59,630	57,553
Minority interest (40%)	(23,852)	
Net assets acquired	35,778	
Bank and cash balances in subsidiaries acquired		64,158
Purchase consideration settled in cash		(70,200)
Direct costs relating to the acquisition		(1,264)
Cash outflow on acquisition		(7,306)

Since its acquisition, Divine Mission Group contributed revenues of HK$29,626,000 and net loss of HK$10,539,000 to the Group for the period from 20 May 2008 to 31 December 2008.

Had the combination taken place at 1 January 2008, the revenue and loss for the year of the Group would have been HK$77,094,000 and HK$17,860,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor are they intended to be a projection of future results.

39. Disposals of Subsidiaries

For the year ended 31 December 2007, the Group disposed of 100% equity interest in Jessica Publications (BVI) Limited and its subsidiaries. Particulars of the disposal transaction are as follows:

	2007 HK$'000
Net liabilities disposed of:	
Plant and equipment	494
Other intangible assets	19
Trade receivables	12,020
Other receivables	609
Cash and cash equivalents	691
Trade payables	(13,983)
Other payables	(4,399)
	(4,549)
Realisation of capital reserve	183
Realisation of translation reserve	(114)
	(4,480)
Gain on disposals of subsidiaries	5,480
Total consideration	1,000
Satisfied by:	
Cash	1,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposals of subsidiaries is as follow:

Cash consideration received	1,000
Cash and bank balances disposed of	(691)
Net inflow of cash and cash equivalents in respect of the disposals of subsidiaries	309

40. Financial Risk Management Objectives and Policies

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk and interest risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by mininising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. The management identifies ways to access financial markets and monitors the Group's financial risk exposures. Regular reports are provided to the board of directors.

40.1 Catergories of financial assets and liabilities

The carrying amounts presented in the balance sheets relate to the following categories of financial assets and financial liabilities.

(i) Financial assets

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans and receivables:				
Current assets				
Trade and bills receivables	**6,152**	5,414	**–**	–
Other receivables	**5,236**	1,300	**41**	2
Amount due from a subsidiary	**–**	–	**200**	–
Cash and bank balances	**20,776**	33,752	**1,680**	31,331
	32,164	40,466	**1,921**	31,333

40. Financial Risk Management Objectives and Policies (Continued)

40.1 Catergories of financial assets and liabilities (Continued)

(ii) Financial liabilities

	Group		Company	
	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
Financial liabilities at amortised cost:				
Current liabilities				
Trade payables	**7,510**	5,375	**–**	–
Other payables	**20,239**	1,486	**–**	11
Amount due to a subsidiary	**–**	–	**1**	1
Borrowings	**18,112**	–	**–**	–
Convertible bonds	**14,001**	–	**14,001**	–
	59,862	6,861	**14,002**	12
Non-current liabilities				
Borrowings	**937**	–	**–**	–
Loans from ultimate holding company	**43,292**	–	**43,292**	–
Convertible bonds	**–**	13,169	**–**	13,169
	44,229	13,169	**43,292**	13,169
	104,091	20,030	**57,294**	13,181

40.2 Foreign currency risk

The Group's exposure to currency exchange rates is minimal as the group companies usually hold most of their financial assets/liabilities in their own functional currencies. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

40.3 Interest rate risk

The Group's exposure to interest rate risk mainly arises on interest-bearing borrowings at floating rates (see note 27). The exposure to interest rates for the Group's bank deposits is considered immaterial.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

40. Financial Risk Management Objectives and Policies (Continued)

40.3 Interest rate risk (Continued)

The sensitivity analysis demonstrates the Group's exposure to a reasonable possible change in interest rates on its floating rate borrowings with all other variable held constant at the balance sheet date (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material). If the interest rates had been increased/decreased by 100 basis points at the beginning of the year, the Group loss for the year and accumulated losses would increase/decrease by approximately HK$90,000.

The changes in interest rates do not affect the Group's other components of equity.

The above sensitivity analysis is prepared based on the assumptions that the borrowing period of each loan outstanding at year end resembles that of the current financial year.

For the year ended 31 December 2007, interest rate sensitivity analysis was not presented because the Group has no significant interest-bearing assets and liabilities for that year.

The Company's exposure to interest rate risk is minimal as it has no significant interest-bearing assets and liabilities.

40.4 Credit risk

The Group's maximum credit risk exposure of its financial assets is summarsied in note 40.1 above.

The Group continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that the Group's financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade, bills and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

40.5 Liquidity risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

40. Financial Risk Management Objectives and Policies (Continued)

40.5 Liquidity risk (Continued)

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

The Group and the Company had net current liabilities of HK$11,875,000 and HK$11,948,000 respectively as at 31 December 2008. The liquidity of the Group and Company are primarily dependent on its ability to maintain adequate cash inflow from operations and to obtain continuing financial support from ultimate holding company of the Company (see note 3.1).

As at 31 December 2008 and 31 December 2007, the Group's financial liabilities have contractual maturities which are summarised below:

Group

	Within 1 month or on demand HK$'000	1 to 3 months HK$'000	3 to 12 months HK$'000	Over 1 year HK$'000	Total undiscounted amount HK$'000	Total carrying amount HK$'000
At 31 December 2008						
Trade payables	7,022	488	–	–	7,510	7,510
Other payables	20,065	8	166	–	20,239	20,239
Borrowings	5,388	1,283	11,441	937	19,049	19,049
Loans from ultimate holding company	–	–	–	47,000	47,000	43,292
Convertible bonds	–	–	14,700	–	14,700	14,001
	32,475	1,779	26,307	47,937	108,498	104,091
At 31 December 2007						
Trade payables	4,000	1,375	–	–	5,375	5,375
Other payables	1,486	–	–	–	1,486	1,486
Convertible bonds	–	–	–	14,700	14,700	13,169
	5,486	1,375	–	14,700	21,561	20,030

40. Financial Risk Management Objectives and Policies (Continued)

40.5 Liquidity risk (Continued)

Company

	Within 1 month or on demand HK$'000	1 to 3 months HK$'000	3 to 12 months HK$'000	Over 1 year HK$'000	Total undiscounted amount HK$'000	Total carrying amount HK$'000
At 31 December 2008						
Amount due to a subsidiary	1	–	–	–	1	1
Loans from ultimate holding company	–	–	–	47,000	47,000	43,292
Convertible bonds	–	–	14,700	–	14,700	14,001
	1	–	14,700	47,000	61,701	57,294
At 31 December 2007						
Other payables	11	–	–	–	11	11
Amount due to a subsidiary	1	–	–	–	1	1
Convertible bonds	–	–	–	14,700	14,700	13,169
	12	–	–	14,700	14,712	13,181

41. Capital Management

The Group's objectives when managing capital include:

(i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(ii) To support the Group's stability and growth; and

(iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or raise new debts, or sell assets to reduce debt.

41. Capital Management (Continued)

The capital-to-overall financing ratio at balance sheet date was as follows:

	2008 HK$'000	2007 HK$'000
Capital		
Total equity	30,812	19,198
Loans from ultimate holding company	(4,877)	–
Convertible bonds – equity components	(1,700)	(1,700)
	24,235	17,498
Overall financing		
Borrowings	19,049	–
Loans from ultimate holding company	48,169	–
Convertible bonds – equity and liability components	15,701	14,869
	82,919	14,869
Capital-to-overall financing ratio	0.29 times	1.18 times

Financial Summary

FINANCIAL RESULTS

	Year ended 31 December				
	(Restated) 2004 HK$'000 (Note i)	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008 HK$'000**
Revenue	81,389	94,855	83,464	67,843	**55,091**
Direct operating expenses	(58,209)	(65,542)	(68,054)	(43,696)	**(39,864)**
Other operating revenue	67	195	259	192	**480**
Selling and distribution costs	(17,603)	(18,967)	(19,491)	(17,271)	**(7,101)**
Administrative expenses	(7,336)	(6,735)	(8,332)	(9,998)	**(15,095)**
Other operating income/(expenses), net	(1,041)	(376)	(2,015)	4,628	**(10,880)**
Operating profit/(loss)	(2,733)	3,430	(14,169)	1,698	**(17,369)**
Finance costs	–	–	–	(169)	**(2,575)**
Profit/(loss) before income tax	(2,733)	3,430	(14,169)	1,529	**(19,944)**
Income tax expense	–	–	–	–	**–**
Profit/(loss) for the year	(2,733)	3,430	(14,169)	1,529	**(19,944)**
Attributable to:					
Equity holders of the Company	(478)	3,430	(14,169)	1,529	**(15,729)**
Minority interests	(2,255)	–	–	–	**(4,215)**
Profit/(loss) for the year	(2,733)	3,430	(14,169)	1,529	**(19,944)**

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008 HK$'000**
Total assets	29,981	35,491	21,228	41,759	**137,706**
Total liabilities	(29,166)	(31,225)	(28,229)	(22,561)	**(106,894)**
Minority interests	2,698	2,698	–	–	**(19,686)**
Equity attributable to the Company's equity holders	3,513	6,964	(7,001)	19,198	**11,126**

Notes:

(i) Certain comparative figures have been restated due to the adoption of the new or revised standards and interpretations of Hong Kong Financial Reporting Standards effective from 1 January 2005.