HONBRIDGE HOLDINGS LIMITED

洪 橋 集 團 有 限 公 司

(Stock Code: 8137)

Annual Report 2009

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 report (this "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 Report.

This 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 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 Report misleading; and (iii) all opinions expressed in this 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

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
18th Floor, 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 2009.

Business Review

2009 was a year to differentiate Honbridge with our major competitors. Whilst many smaller players in the highly purified silicon industry have been eliminated by the market, Honbridge remained active in the market and continued to grow. With its conservative financial management and flexible development strategy to deal with economic downturn, Honbridge managed to capture the opportunity to expand in the energy and resources sector.

In react to the short term rise in raw materials cost and significant drop in selling price of silicon products, the Group had suspended a major production line in the first half of 2009 and resumed it in the second half of the year when the materials cost and selling price returned to a reasonable level. By taking this "time-out" strategy, the Group is able to cut losses from HK$19.9 million in 2008 to HK$18.0 million in 2009 before taking into account the goodwill impairment of HK$35.7 million that has no impact to cashflows, and at the same time reducing its inventories from HK$14.1 million in 2008 to HK$6.0 million in 2009.

Prospects

The Group's silicon business stays healthy and steady at the beginning of 2010. Technology of the 4-5N silicon production is improved and the production cost per unit is under control. The Group is actively looking for potential buyers for large scale production.

On the other hand, the Group plans to expand its business in the energy and resources sector. The first move is to acquire a 66% stake in Xianglan Do Brasil Mineracao Ltda, a company engaged in the exploration of manganese resources in Brazil. Details of the acquisition are contained in the Company's circular dated 24 February 2010. The next step is to acquire an iron ore exploration company, Sul Americana de Metais S.A. ("SAM") in Brazil. A Memorandum of Understanding has been entered into between the Group and Votorantim Novos Negocios Ltda, the holding company of SAM and one of the largest industrial conglomerates in Latin America. The progress of the SAM acquisition has been disclosed in the Company's announcement on 18 November 2009, 18 December 2009, 29 January 2010 and 3 March 2010. Further information will be announced in due course.

Appreciation

On behalf of the Board, I would like to take this opportunity to thank our shareholders for their continued support during 2009 and all staff for their hard work.

He Xuechu
Chairman

Hong Kong

15 March 2010

Management Discussion and Analysis

Business Review

For the year ended 31 December 2009, the Group's turnover decreased by 41% to HK$32.6 million. Loss for the year was increased from HK$19.9 million in 2008 to HK$53.7 million in 2009, which was mainly due to the full impairment on goodwill of HK$35.7 million for the year. Although the silicon prices were gradually recovered from its lowest at the outbreak of the financial crisis in 2008 to a rather steady level in 2009, the future unpredictable prices of silicon which are influenced substantially by the marco-economic factors are beyond the control of the Company. As such, the directors decided to provide a full impairment on the goodwill in 2009.

Our silicon business achieved a turnover of HK$10.1 million in 2009, representing a 66% decrease compared to 2008. Segment loss for the year was increased by 324% to HK$44.6 million, which was mainly due to the full impairment on goodwill of HK$35.7 million as mentioned above.

Our publication business accounted for a turnover of HK$22.5 million in 2009, representing a 12% decrease compared to 2008. Segment loss for the year was HK$1.0 million as compared to a profit of HK$0.04 million last year, which was mainly due to the continuing increase in competitiveness of the publication business in Hong Kong and the reduction in advertising income.

Prospects

Apart from the goodwill impairment, the Group's silicon business stays healthy and steady at the beginning of 2010. Technology of the 4-5N silicon production is improved and the production cost per unit is under control. The Group is actively looking for potential buyers for large scale production.

On the other hand, the Group plans to expand its business in the energy and resources sector. The first move is to acquire a 66% stake in Xianglan Do Brasil Mineracao Ltda., a company engaged in the exploration of manganese resources in Brazil. Details of the acquisition are contained in the Company's circular dated 24 February 2010. The next step is to acquire an iron ore exploration company, SAM in Brazil. A Memorandum of Understanding has been entered into between the Group and Votorantim Novos Negocios Ltda., the holding company of SAM and one of the largest industrial conglomerates in Latin America. The progress of the SAM acquisition has been disclosed in the Company's announcement on 18 November 2009, 18 December 2009, 29 January 2010 and 3 March 2010. Further information will be announced in due course.

Liquidity and Financial Resources

During the year ended 31 December 2009, the Group's operation was mainly financed by the internal financial resources of the Group and the loan from the ultimate holding company.

As at 31 December 2009, the Group had net current liabilities of HK$5.0 million (2008: HK$11.9 million). The current assets comprised cash and cash equivalents of HK$16.2 million, trade and bills receivables of HK$7.1 million, prepayment and other receivables of HK$10.5 million and inventories of HK$6.0 million. The current liabilities comprised trade payables of HK$8.5 million, other payables, accrued expenses and receipts in advance of HK$21.9 million and borrowings of HK$14.4 million.

As at 31 December 2009, the gearing ratio of the Group is not available as the Group has negative equity (2008: total borrowings to total equity was 2.0).

As at 31 December 2009, (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 7 November 2009, the Company entered into an equity transfer agreement between Brilliant People Limited and Shandong Zhi Zhang Trading Limited to acquire a 66% equity interest of Xianglan Do Brasil Mineracao Ltda., a company incorporated in Brazil and engaged in the exploration of magnesium resources in Brazil (the "Xianglan Acquisition"). Details of the Xianglan Acquisition have been disclosed in a circular of the Company on 24 February 2010.

As at 31 December 2009, the Xianglan Acquisition has not been completed and pending for the approval by the shareholders of the Company in an extraordinary general meeting on 15 March 2010.

On 17 November 2009, the Company entered into a Memorandum of Understanding with Votorantim Novos Negocios Ltda. to acquire 100% of the equity interest of Sul Americana de Metais S.A., a company incorporated in Brazil and engaged in the exploration of iron resources in Brazil (the "SAM MOU"). Details of the SAM MOU have been disclosed in the Company's announcements on 18 November 2009, 18 December 2009, 29 January 2010 and 3 March 2010.

Significant Investment Plans

Save as disclosed above, as at 31 December 2009, the Group did not have any significant investment plans.

Contingent Liabilities

As at 31 December 2009, the Group did not have any significant contingent liabilities.

Employees

As at 31 December 2009, the total number of employees of the Group was 172 (2008: 177). Employees' cost (including directors' emoluments) amounted to HK$11.8 million for the year (2008: HK$16.6 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 47, 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, Jessicacode Limited, Infinite Sky Investments Limited, New Trinity Holdings Limited and Honbridge International Trading Company Limited, all being subsidiaries of the Company.

Mr. Liu Wei, William, aged 45, 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, Infinite Sky Investments Limited, New Trinity Holdings Limited and Honbridge International Trading Company Limited, all being subsidiaries of the Company.

Mr. Shi Lixin, aged 42, 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 38, joined the Company as Independent Non-Executive Director in May 2005. Mr. Chan 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 in both Hong Kong and the PRC. Moreover, Mr. Chan has extensive experience in public listings in Hong Kong and Singapore, mergers and acquisition as well as corporate finance. He holds a Master degree in Business Administration from the Manchester Business School. Mr. Chan is now the independent non-executive director of Honbridge Holdings Limited, Wai Chun Mining Industry Group Company Limited and Oriental City Group Holdings Limited, the shares of which are listed on the Hong Kong Stock Exchange. He is also an independent non-executive director of China Nutrifruit Group Limited, the share of which is listed on AMEX.

Mr. Fok Hon, aged 52, 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 53, 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. Lam King Ho, aged 40, 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 2009.

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 2009 are set out in the consolidated of comprehensive 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 2009 (2008: Nil).

Financial Summary

A summary of the results of the Group for the last five financial years is set out on page 86 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 32 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. He Xuechu and Mr. Liu Wei, William 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 2009, 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	–	4,095,000,000 (Note)	4,095,000,000	74.28%

Note: The 4,095,000,000 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 2009, 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 2009, an aggregate of 21,440,000 Shares were issuable pursuant to share options granted under the Scheme. For the year ended 31 December 2009, no options were exercised by the grantee pursuant to the Scheme.

As at 31 December 2009, the total number of Shares available for issue pursuant to the grant of further options under the Scheme was 319,831,971, representing approximately 5.8% of the issued share capital of the Company as at 31 December 2009.

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:

	Number of share options										
Name or category of participant	Outstanding as at 01/01/2009	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31/12/2009	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$
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 2009, all issued convertible notes of the Company have been converted into 2,100,000,000 ordinary shares of HK$1 each.

Save as disclosed above, during the year ended 31 December 2009, 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 2009, 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

	Number of ordinary shares held			
Name of shareholder	Direct interest	Interest of controlled corporation	Total number of shares held	Approximate percentage of shareholding
Hong Bridge	4,095,000,000 (Note)	–	4,095,000,000	74.28%
He Xuechu	–	4,095,000,000	4,095,000,000	74.28%
Gui Shengyue	300,000,000	–	300,000,000	5.44%

Note: Hong Bridge is wholly owned by Mr. He Xuechu, the Chairman of the Company.

Save as disclosed above, as at 31 December 2009, 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$1.0 million repayable on 20 April 2012, a loan of HK$1.0 million repayable on 7 August 2012 and a loan of HK$2.0 million repayable on 8 November 2012. 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 executive director of All Leaders Publication Group Limited. Since All Leaders Publication Group Limited is engaged in the media and 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 2009.

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 37 to the consolidated financial statements.

Customers and Suppliers

During the year ended 31 December 2009, the five largest customers of the Group accounted for 42% of the Group's total turnover and the five largest suppliers of the Group accounted for 67% of the Group's total purchases. In addition, the largest supplier accounted for 51% 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 2009.

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.

During the year, the audit committee held four meetings to review and comment on the Company's 2008 annual report, 2009 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 2009 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 2009, 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

15 March 2010

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 2009 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 composed of 6 Directors, including the Chairman, the Chief Executive Officer who are Executive Directors, another Executive Director and 3 Independent Non-Executive Directors. Half of the Board are Independent Non-Executive Directors who have appropriate professional qualifications in accounting or related financial management expertise. Their biographies 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 nine meetings in 2009:

	Attendance
Executive Director	
He Xuechu *(Chairman)*	4/9
Liu Wei, William *(Chief Executive Officer)*	9/9
Shi Lixin	9/9
Independent Non-Executive Director	
Chan Chun Wai, Tony	9/9
Fok Hon	9/9
Ma Gang	9/9

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 2009.

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, regular review of financial statements of subsidiaries are carried out by the qualified accountant of the Company.

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 2009, the Auditors of the Company received approximately HK$480,000 for audit services and HK$750,000 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 2009 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 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.

During the year, the audit committee held four meetings to review and comment on the Company's 2008 annual report, 2009 half-yearly report and quarterly reports as well as the Company's internal control procedures.

The Group's annual report for the year ended 31 December 2009 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.

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 85, which comprise the consolidated and company statements of financial position at 31 December 2009, and the consolidated statement of comprehensive income, 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 2009 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.

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

15 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	5	**32,592**	55,091
Direct operating expenses		**(20,567)**	(39,864)
Other operating revenue	7	**342**	480
Selling and distribution costs		**(5,904)**	(7,101)
Administrative expenses		**(17,270)**	(15,095)
Other operating expenses		**(3,309)**	(10,880)
Impairment of goodwill		**(35,686)**	–
Operating loss	8	**(49,802)**	(17,369)
Finance costs	9	**(3,918)**	(2,575)
Loss before income tax		**(53,720)**	(19,944)
Income tax expense	10	**–**	–
Loss for the year		**(53,720)**	(19,944)
Other comprehensive income, including reclassification adjustments			
Exchange (loss)/gain on translation of financial statements of foreign operations		**(4)**	123
Other comprehensive income for the year, net of tax		**(4)**	123
Total comprehensive income for the year		**(53,724)**	(19,821)
Loss for the year attributable to:			
Owners of the Company	11	**(50,136)**	(15,729)
Minority interest		**(3,584)**	(4,215)
		(53,720)	(19,944)
Total comprehensive income attributable to:			
Owners of the Company		**(50,138)**	(15,655)
Minority interest		**(3,586)**	(4,166)
		(53,724)	(19,821)
Loss per share for loss attributable to the owners of the Company during the year	12		
– Basic		**HK(1.21) cent**	HK(0.46) cent
– Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	33,094	27,178
Prepaid land lease payments	16	20,840	21,285
Goodwill	18	–	35,686
Deposits	19	407	3,460
		54,341	87,609
Current assets			
Inventories	20	6,024	14,069
Trade and bills receivables	21	7,129	6,152
Prepayments and other receivables	22	10,470	9,100
Cash and cash equivalents	24	16,240	20,776
		39,863	50,097
Current liabilities			
Trade payables	25	8,545	7,510
Other payables, accrued expenses and receipts in advance	26	21,906	22,349
Borrowings	27	14,375	18,112
Convertible bonds	30	–	14,001
		44,826	61,972
Net current liabilities		(4,963)	(11,875)
Total assets less current liabilities		49,378	75,734
Non-current liabilities			
Borrowings	27	597	937
Loans from ultimate holding company	28	49,026	43,292
Loan from a minority equity holder of a subsidiary	29	5,933	–
Deferred tax liabilities	31	693	693
		56,249	44,922
Net (liabilities)/assets		(6,871)	30,812
EQUITY			
Equity attributable to owners of the Company			
Share capital	32	5,513	3,413
Reserves	34	(28,854)	7,713
		(23,341)	11,126
Minority interest		16,470	19,686
Total equity		(6,871)	30,812

He Xuechu
Chairman

Liu Wei, William
Director

Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**623**	817
Investments in subsidiaries	17	**34,307**	78,730
		34,930	79,547
Current assets			
Prepayments and other receivables	22	**596**	191
Amount due from a subsidiary	23	**200**	200
Cash and cash equivalents	24	**1,107**	1,680
		1,903	2,071
Current liabilities			
Other payables and accrued expenses	26	**857**	17
Amounts due to subsidiaries	23	**1,079**	1
Convertible bonds	30	**–**	14,001
		1,936	14,019
Net current liabilities		**(33)**	(11,948)
Total assets less current liabilities		**34,897**	67,599
Non-current liabilities			
Loans from ultimate holding company	28	**49,026**	43,292
		49,026	43,292
Net (liabilities)/assets		**(14,129)**	24,307
EQUITY			
Share capital	32	**5,513**	3,413
Reserves	34	**(19,642)**	20,894
Total equity		**(14,129)**	24,307

He Xuechu
Chairman

Liu Wei, William
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Loss before income tax		(53,720)	(19,944)
Adjustments for:			
Depreciation of property, plant and equipment	8	2,730	1,639
Amortisation of prepaid land lease payments	8	445	259
Reversal of impairment of inventories	20	(810)	–
Impairment of inventories	8	–	5,139
Impairment of goodwill		35,686	–
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
Interest income	7	(125)	(162)
Interest expense on other loans	9	1,011	574
Interest expense on convertible bonds	9	699	832
Interest expense on loans from ultimate holding company	9	2,149	1,169
Interest expenses on loan from a minority equity holder of a subsidiary	9	59	–
Operating loss before working capital changes		(11,876)	(2,438)
Decrease/(Increase) in inventories		8,855	(13,667)
Increase in trade and bills receivables		(977)	(99)
Increase in prepayments and other receivables		(1,370)	(97)
Increase/(Decrease) in trade payables		1,035	(2,938)
Decrease in other payables, accrued expenses and receipts in advance		(443)	(1,944)
Cash used in operations		(4,776)	(21,183)
Interest paid on other loans		(1,011)	(574)
Net cash used in operating activities		(5,787)	(21,757)
Cash flows from investing activities			
Interest received		125	162
Purchase of property, plant and equipment		(5,190)	(9,825)
Proceeds from disposals of property, plant and equipment		–	1
Deposits paid for acquisition of property, plant and equipment		(407)	(2,923)
Acquisition of subsidiaries and businesses (net of cash and cash equivalents acquired)	39	–	(7,306)
Net cash used in investing activities		(5,472)	(19,891)

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from financing activities			
Drawdown of borrowings		**5,670**	7,050
Drawdown of loans from ultimate holding company		**4,000**	47,000
Drawdown of loan from a minority equity holder of a subsidiary		**6,800**	–
Repayment of borrowings		**(9,747)**	(25,394)
Net cash generated from financing activities		**6,723**	28,656
Net decrease in cash and cash equivalents		**(4,536)**	(12,992)
Cash and cash equivalents at 1 January		**20,776**	33,752
Effect of foreign exchange rate changes		**–**	16
Cash and cash equivalents at 31 December		**16,240**	20,776
Analysis of cash and cash equivalents			
Cash at banks and in hand	24	**16,240**	20,776

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Other reserve	Employee compensation reserve	Translation reserve	Convertible bonds equity reserve	Accumulated losses	Total	Minority interest	Total equity
	HK$'000	HK$'000	HK$'000	HK$000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	3,413	30,211	(327)	–	831	–	1,700	(16,630)	19,198	–	19,198
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
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	23,852	23,852
Transactions with owners	–	–	–	4,877	2,706	–	–	–	7,583	23,852	31,435
Loss for the year	–	–	–	–	–	–	–	(15,729)	(15,729)	(4,215)	(19,944)
Other comprehensive income											
Currency translation	–	–	–	–	–	74	–	–	74	49	123
Total comprehensive income	–	–	–	–	–	74	–	(15,729)	(15,655)	(4,166)	(19,821)
At 31 December 2008 and 1 January 2009	3,413	30,211	(327)	4,877	3,537	74	1,700	(32,359)	11,126	19,686	30,812
Conversion right of convertible bonds exercised	2,100	14,300	–	–	–	–	(1,700)	–	14,700	–	14,700
Arising from loans from ultimate holding company	–	–	–	415	–	–	–	–	415	–	415
Arising from loan from a minority equity holder of a subsidiary	–	–	–	556	–	–	–	–	556	370	926
Transactions with owners	2,100	14,300	–	971	–	–	(1,700)	–	15,671	370	16,041
Loss for the year	–	–	–	–	–	–	–	(50,136)	(50,136)	(3,584)	(53,720)
Other comprehensive income											
Currency translation	–	–	–	–	–	(2)	–	–	(2)	(2)	(4)
Total comprehensive income	–	–	–	–	–	(2)	–	(50,136)	(50,138)	(3,586)	(53,724)
At 31 December 2009	**5,513**	**44,511**	**(327)**	**5,848**	**3,537**	**72**	**–**	**(82,495)**	**(23,341)**	**16,470**	**(6,871)**

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. During the year, there were no significant changes in the Group's operations.

The financial statements on pages 24 to 85 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 2009 were approved for issue by the board of directors on 15 March 2010.

2. Adoption of New or Amended HKFRSs

In the current year, the Group have 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 2009:

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or an associate
HKFRS 2 (Amendments)	Share-based payment – vesting conditions and cancellations
HKFRS 7 (Amendments)	Improving disclosures about financial instruments
HKFRS 8	Operating segments

Various – Annual improvements to HKFRSs 2008

Other than as noted below, the adoption of 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.

2. Adoption of New or Amended HKFRSs (Continued)

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income such as currency translation. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of Comprehensive Income". The Group has applied changes to its accounting polices on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or parent company statement of financial position at 1 January 2008 and accordingly this statement is not presented.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

New or amended HKFRSs that have been issued but are not yet effective

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group for the year ended 31 December 2009.

HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[6]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standard – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) – Int 14 (Amendment)	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishment Financial Liabilities with Equity Instruments[2]
Various	Annual Improvements to HKFRSs 2009[7]

Notes:

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2013
6 Effective for annual periods beginning on or after 1 February 2010
7 Generally effective for annual periods beginning on or after 1 July 2009 or 1 January 2010 unless otherwise stated in the specific HKFRS, as appropriate

2. Adoption of New or Amended HKFRSs (Continued)

New or amended HKFRSs that have been issued but are not yet effective (Continued)

The directors 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. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

HKFRS 3 Business combinations (Revised 2008)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

HKFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

HKAS 27 Consolidated and separate financial statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors do not expect the standard to have a material effect on the Group's financial statements.

Annual improvements 2009

The HKICPA has issued Improvements to Hong Kong Financial Reporting Standards 2009. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The Group expects the amendment to HKAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in HKAS 17. The Group will need to reassess the classification of its unexpired leases of land at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of application.

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 convention. 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 2009, the directors of the Company have given considerations to the future financial positions of the Group in light of the net current liabilities of approximately HK$4,963,000 (2008: HK$11,875,000) and the net liabilities of approximately HK$6,871,000 (2008: net assets: HK$30,812,000) as at 31 December 2009, the future financial positions of the Company in light of the net current liabilities of approximately HK$33,000 (2008: HK$11,948,000) and the net liabilities of approximately HK$14,129,000 (2008: net assets: HK$24,307,000) as at 31 December 2009 and the Group's loss attributable to owners of the Company for the year of approximately HK$50,136,000 for the year ended 31 December 2009 (2008: HK$15,729,000). The directors of the Company are taking active steps to improve the financial positions of the Group and the Company as described below.

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 2009 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, the Company's ultimate holding company, 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 15 March 2011; and

(ii) The directors of the Company anticipate that the Group will generate positive cash flows from its silicon business.

3. Summary of Significant Accounting Policies (Continued)

3.1 Basis of preparation (Continued)

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.

3.2 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.

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.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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 statement of financial position within equity, separately from the equity attributable to the owners of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated statement of comprehensive income 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)

3.3 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.

In consolidated financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying the purchase method. This involves the estimation of 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 statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

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 reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

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 reporting 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 recognised in other comprehensive income and accumulated separately in the currency translation reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss 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

Goodwill represents the excess of the cost of a business combination 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 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.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see Note 3.9).

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 is recognised immediately in profit or loss.

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 Property, plant and equipment

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

3. Summary of Significant Accounting Policies (Continued)

3.7 Property, plant and equipment (Continued)

Depreciation on property, plant and equipment, other than CIP, 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 estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

CIP represents leasehold buildings, plant and machinery under construction and is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. CIP 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 profit or loss.

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 profit or loss during the financial period in which they are incurred.

3.8 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 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.

The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in Note 3.14.

3.9 Impairment of non-financial assets

Goodwill, 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.

3. Summary of Significant Accounting Policies (Continued)

3.9 Impairment of non-financial assets (Continued)

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.

3.10 Financial assets

The Group's financial assets are classified into loans and receivables. 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 purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, 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.

3. Summary of Significant Accounting Policies (Continued)

3.10 Financial assets (Continued)

At each reporting 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 the 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.

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable date 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 contracts, such as a 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.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost 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 profit or loss for the period in which the impairment occurs.

3. Summary of Significant Accounting Policies (Continued)

3.10 Financial assets (Continued)

Impairment of financial assets (Continued)

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 profit or loss of the period in which the reversal occurs.

3.11 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.

3.12 Cash and cash equivalents

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

3.13 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.

3.14 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

Operating leases are leases which do not transfer substantially all the risks and rewards incidental to ownership. Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

3. Summary of Significant Accounting Policies (Continued)

3.15 Financial liabilities

The Group's financial liabilities include trade payables, other payables, borrowings, convertible bonds, loans from ultimate holding company, loan from a minority equity holder of a subsidiary and amounts due to subsidiaries. They are included in line items in the statement of financial position as "Trade payables", "Other payables, accrued expenses and receipts in advance", "Borrowings", "Convertible bonds", "Loans from ultimate holding company", "Loan from a minority equity holder of a subsidiary" and "Amounts due to subsidiaries".

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 profit or loss.

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 profit or loss.

Borrowings, loan from a minority equity holder of a subsidiary and loans from ultimate holding company

Borrowings, loan from a minority equity holder of a subsidiary and loans from ultimate holding company are recognised initially at fair value, net of transaction costs incurred. Borrowings, loan from a minority equity holder of a subsidiary 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 profit or loss/other reserve over the respective period of borrowings/loan from a minority equity holder of a subsidiary and 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 reporting date.

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.

3. Summary of Significant Accounting Policies (Continued)

3.15 Financial liabilities (Continued)

Convertible bonds that contain an equity component (Continued)

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

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

3.16 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, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting 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 profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting 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 reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if, the Group has the legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. Summary of Significant Accounting Policies (Continued)

3.16 Accounting for income taxes (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if, the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 37 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.

The Group contributes to a defined contribution retirement benefit scheme ("MPF scheme") under the Mandatory Provident Fund Scheme Ordinance which is available to its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as percentages of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the MPF scheme.

The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

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 profit or loss 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 reporting date.

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

3. Summary of Significant Accounting Policies (Continued)

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.

All share-based compensation is ultimately recognised as an expense in profit or loss 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 Research and development costs

Cost associated with research activities are expensed in profit or loss 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) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

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

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

(vi) the expenditure attributable to 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)

3.20 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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 reporting 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 uncertain future 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. These 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 amortisation, if appropriate.

3. Summary of Significant Accounting Policies (Continued)

3.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to executive directors are determined following the Group's major product and service lines. Each of operating segments is managed separately as each of the product and service lines requires different resources.

The Group has identified the following reportable segments:

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

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

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that corporate income and expenses which are not included in arriving at the operating results of the operating segment, which primarily applies to the Group's headquarter.

Segment assets and liabilities exclude corporate assets and liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to deferred tax liabilities and the Group's headquarter.

3.23 Related parties

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 joint 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 3.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. When value-in-use 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.

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

The Group assesses impairment at each reporting 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 reporting 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 reporting 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 reporting dates.

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

(v) 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 3.7 and 3.8 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:

	2009 HK$'000	2008 HK$'000
Sale of silicon products	**10,079**	29,626
Sale of magazines	**2,673**	3,283
Advertising income	**9,279**	12,598
Promotion and marketing income	**10,561**	9,584
	32,592	55,091

A further analysis of the Group's revenue by activity is set out in Note 6 to the financial statements.

6. Segment Information

The Group has identified its operating segment and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation and review of performance.

The Group's operating businesses are organised and managed separately according to the nature of product and service, with each segment representing a strategic business segment that offers different product and service in Hong Kong and Mainland China market.

The Company is an investment holding company and the principal place of the Group's operation is in service in Hong Kong and Mainland China. For the purpose of segment information disclosures under HKFRS 8, the Group regarded service in Hong Kong and Mainland China the PRC as its country of domicile. Over 90% of the Group's revenue, expenses, results, assets and liabilities and capital expenditures are attributable to a single geographical region, which is the PRC.

6. Segment Information (Continued)

Information regarding the Group's reportable segments provided to the Group's most senior management is set out below:

	Silicon products HK$'000	Publications HK$'000	Total HK$'000
Year ended 31 December 2009			
Reportable segment revenue (external customers)	**10,079**	**22,513**	**32,592**
Reportable segment loss	**(44,648)**	**(1,021)**	**(45,669)**
Reportable segment assets	**84,277**	**7,601**	**91,878**
Reportable segment liabilities	**42,901**	**8,291**	**51,192**
Capital expenditure	**5,549**	**22**	**5,571**
Interest income	**(125)**	**–**	**(125)**
Interest expense	**1,070**	**–**	**1,070**
Depreciation	**2,422**	**88**	**2,510**
Amortisation charge	**445**	**–**	**445**
Impairment of goodwill	**35,686**	**–**	**35,686**
Impairment and written off of receivables	**–**	**198**	**198**
Reversal of Impairment of inventories	**(810)**	**–**	**(810)**
Year ended 31 December 2008			
Reportable segment revenue (external customers)	29,626	25,465	55,091
Reportable segment (loss)/profit	(10,538)	39	(10,499)
Reportable segment assets	126,960	8,058	135,018
Reportable segment liabilities	41,858	7,726	49,584
Capital expenditure	53,848	112	53,960
Interest income	(45)	(8)	(53)
Interest expense	574	–	574
Depreciation	1,342	83	1,425
Amortisation charge	259	–	259
Impairment of property, plant and equipment	5,349	–	5,349
Reversal of impairment and written off of receivables	–	(52)	(52)
Impairment of inventories	5,139	–	5,139
Loss on disposals of property, plant and equipment	1	–	1

6. Segment Information (Continued)

Reportable segment revenue represented turnover of the Group. The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2009 HK$'000	2008 HK$'000
Reportable segment loss	**(45,669)**	(10,499)
Other operating revenue	**100**	160
Administrative expenses	**(5,303)**	(7,604)
Other finance costs	**(2,848)**	(2,001)
	(53,720)	(19,944)
Reportable segment assets	**91,878**	135,018
Property, plant and equipment	**623**	817
Prepayments and other receivables	**596**	191
Cash and cash equivalents	**1,107**	1,680
	94,204	137,706
Reportable segment liabilities	**51,192**	49,584
Other payables, accrued expenses and receipts in advance	**857**	17
Convertible bonds	**–**	14,001
Loans from ultimate holding company	**49,026**	43,292
	101,075	106,894

The Group's revenues from external customers and its non-current assets (other than goodwill) are divided into the following geographical areas:

	2009 HK$'000	2008 HK$'000
Revenues from external customers		
Hong Kong	**22,513**	25,465
Mainland China	**10,079**	29,626
Reportable segment revenue from external customers	**32,592**	55,091
Non-current assets		
Hong Kong	**2,962**	3,089
Mainland China	**50,756**	48,017
Reportable segment non-current assets	**53,718**	51,106

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the asset.

7. Other Operating Revenue

	2009 HK$'000	2008 HK$'000
Interest income	**125**	162
Sundry income	**217**	318
	342	480

8. Operating Loss

	2009 HK$'000	2008 HK$'000
Operating loss is arrived at after charging/(crediting):		
Auditors' remuneration	**480**	480
Cost of inventories recognised as expense	**7,631**	26,170
Depreciation	**2,730**	1,639
Amortisation of prepaid land lease payments	**445**	259
Minimum lease payments paid under operating leases in respect of rental premises	**329**	329
Net foreign exchange loss	**–**	97
– Trade receivables written off	**–**	6
– Charge on/(reversal of) impairment and written off of receivables	**198**	(52)
– 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	**3,111**	437
Other operating expenses	**3,309**	10,880

9. Finance Costs

	2009 HK$'000	2008 HK$'000
Interest charges on other borrowings wholly repayable within five years	**1,011**	574
Imputed interest on convertible bonds	**699**	832
Imputed interest on loans from ultimate holding company	**2,149**	1,169
Imputed interest on loan from a minority equity holder of a subsidiary	**59**	–
	3,918	2,575

10. Income Tax Expense

During the year ended 31 December 2009, no provision for tax has been provided by the Group as the Group had no estimated assessable profit arising in or derived from Hong Kong.

During the year ended 31 December 2008, 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.

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.

With the effect of the PRC enterprise income tax on 1 January 2008, enterprise income tax rates for domestic and foreign enterprises were unified at 25%. 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.

No provision for tax has been provided by the Company as the Company had no estimated assessable profit arising in or derived from Hong Kong (2008: Nil).

10. Income Tax Expense (Continued)

Reconciliation between tax expense and accounting loss at applicable tax rates:

	2009 HK$'000	2008 HK$'000
Loss before income tax	**(53,720)**	(19,944)
Tax on loss before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**(9,619)**	(4,178)
Tax effect of non-deductible expenses	**11,126**	4,350
Tax effect of non-taxable revenue	**(2,520)**	(28)
Tax effect of prior year's unrecognised tax losses utilised this year	**–**	(53)
Tax effect of unrecognised tax losses	**976**	43
Tax effect on temporary difference not recognised	**37**	(5)
Tax concession	**–**	(129)
Income tax expense	**–**	–

11. Loss Attributable to Owners of the Company

Of the consolidated loss attributable to owners of the Company of HK$50,136,000 (2008: HK$15,729,000), a loss of HK$53,551,000 (2008: HK$9,445,000) (Note 34) has been dealt with in the financial statements of the Company.

12. Loss Per Share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$50,136,000 (2008: HK$15,729,000) and on the weighted average of approximately 4,149,487,000 (2008: 3,412,720,000) ordinary shares in issue during the year.

(b) Dilutive loss per share

For the year ended 31 December 2009 and 2008, diluted loss per share was not presented because the impact of the exercise of the share options and convertible bonds was anti-dilutive.

13. Employee Benefit Expense (including directors' emoluments)

	2009 HK$'000	2008 HK$'000
Wages and salaries	**11,334**	13,506
Share-based payment	**–**	2,706
Pension costs – defined contribution plans	**501**	406
	11,835	16,618

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

	2009 HK$'000	2008 HK$'000
Short-term employee benefits	**2,360**	2,966
Post-employment benefits	**36**	36
Share-based payment	**–**	2,681
	2,396	5,683

14. Directors' Remuneration and Senior Management's Emoluments

(a) Directors' emoluments

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

	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 2009					
Executive directors					
HE Xuechu	**403**	**–**	**12**	**–**	**415**
LIU Wei, William	**629**	**–**	**12**	**–**	**641**
SHI Lixin	**–**	**537**	**–**	**–**	**537**
Independent non-executive directors					
CHAN Chun Wai, Tony	**120**	**–**	**–**	**–**	**120**
FOK Hon	**120**	**–**	**–**	**–**	**120**
MA Gang	**120**	**–**	**–**	**–**	**120**
	1,392	**537**	**24**	**–**	**1,953**
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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: 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 (2008: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2008: three) individuals during the year are as follows:

	2009 HK$'000	2008 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,155**	2,481
Share-based payment	**–**	128
Pension – defined contribution plans	**36**	36
	2,191	2,645

The emoluments fell within the following band:

	Number of individuals 2009	2008
Emolument band		
Nil – HK$1,000,000	**3**	3

During the year, no emoluments were paid by the Group to the directors or the three (2008: three) 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 2008							
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 39)	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
Year ended 31 December 2009							
Opening net book amount	7,974	681	5,978	680	688	11,177	27,178
Additions	–	26	890	58	–	7,676	8,650
Depreciation	(430)	(185)	(1,703)	(213)	(199)	–	(2,730)
Exchange realignment	–	–	1	–	–	(5)	(4)
Closing net book amount	**7,544**	**522**	**5,166**	**525**	**489**	**18,848**	**33,094**
At 31 December 2009							
Cost	8,565	924	12,818	915	805	18,848	42,875
Accumulated depreciation and impairment	(1,021)	(402)	(7,652)	(390)	(316)	–	(9,781)
Net book amount	**7,544**	**522**	**5,166**	**525**	**489**	**18,848**	**33,094**

15. Property, Plant and Equipment (Continued)

Group (Continued)

Note:

For the year ended 31 December 2009, the directors of the Company reviewed the carrying amount of property, plant and equipment with reference to the businesses operated by the Group. No Impairment loss for leasehold buildings (2008: HK$342,000), and plant and machinery (2008: HK$5,007,000) has been identified and recognised in the consolidated statement of comprehensive income.

As at 31 December 2009 and 2008, 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.

Company

	Leasehold improvements HK$'000	Furniture and office equipment HK$'000	Total HK$'000
At 1 January 2008			
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
Year ended 31 December 2009			
Opening net book amount	681	136	817
Additions	26	–	26
Depreciation	(185)	(35)	(220)
Closing net book amount	**522**	**101**	**623**
At 31 December 2009			
Cost	924	176	1,100
Accumulated depreciation	(402)	(75)	(477)
Net book amount	**522**	**101**	**623**

16. Prepaid Land Lease Payments

Group

	2009 HK$'000	2008 HK$'000
At 1 January		
Cost	21,545	–
Accumulated amortisation	(260)	–
Net book amount	21,285	–
For the year ended 31 December		
Opening net book amount	21,285	–
Acquisition of subsidiaries (Note 39)	–	21,342
Amortisation	(445)	(259)
Exchange realignment	–	202
Net book amount	20,840	21,285
At 31 December		
Cost	21,545	21,545
Accumulated amortisation	(705)	(260)
Net book amount	20,840	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

	2009 HK$'000	2008 HK$'000
Unlisted shares, at cost	84,807	83,730
Less: Impairment loss recognised	(50,500)	(5,000)
	34,307	78,730

17. Investments in Subsidiaries (Continued)

Company (Continued)

Particulars of the principal subsidiaries at 31 December 2009 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")	British Virgin Islands, limited liability company	20,000 ordinary shares of US$1 each	60%	–	Investment holding
Kailun Photovoltaic Materials Investments Limited	Hong Kong, limited liability company	10,000,000 ordinary shares of HK$1 each	–	60%	Investment holding
Kailun PV (Jining)	PRC, limited liability company	Registered capital of US$10,000,000	–	60%	Production and sale of silicon products
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

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. Goodwill

Group

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

	2009 HK$'000	2008 HK$'000
At 1 January		
Gross carrying amount	35,686	–
Accumulated impairment	–	–
Net carrying amount	35,686	–
Carrying amount at 1 January	35,686	–
Acquisition of subsidiaries (Note 39)	–	35,686
Impairment losses	(35,686)	–
Net carrying amount at 31 December	–	35,686
At 31 December		
Gross carrying amount	35,686	35,686
Accumulated impairment	(35,686)	–
Net carrying amount	–	35,686

The carrying amount of goodwill, net of any impairment loss, is allocated to the cash generating unit of silicon products.

The recoverable amounts for the cash generating units given above were determined based on value-in-use 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 are:

Growth rate	10%
Discount rate	11%

The Group's key assumptions adopted by its management 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.

Due to the high market fluctuation of silicon products, the directors of the Company consider the future market fluctuation of silicon products are unpredictable beyond five years. As such, the Group only includes five years' cash flows projection in assessing the impairment of goodwill.

Apart from the considerations described in determining the value-in-use 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 2009 and 2008.

20. Inventories

Group

	2009 HK$'000	2008 HK$'000
Raw materials	**5,765**	4,644
Finished goods	**259**	9,425
	6,024	14,069

For the year ended 31 December 2009, reversal of the inventories impairment loss of HK$810,000 (2008: impairment loss of HK$5,139,000) was included in the consolidated statement of comprehensive income because the amount of silicon products for sale was recovered.

21. Trade and Bills Receivables

Group

	2009 HK$'000	2008 HK$'000
Trade receivables	**5,516**	5,487
Less: Impairment of trade receivables	**(553)**	(355)
Trade receivables, net	**4,963**	5,132
Bills receivables	**2,166**	1,020
Trade and bills receivables, net	**7,129**	6,152

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:

	2009 HK$'000	2008 HK$'000
At 1 January	**355**	443
Amounts written off	**–**	(36)
Impairment loss and allowances charged(reversal) to profit or loss	**198**	(52)
At 31 December	**553**	355

21. Trade and Bills Receivables (Continued)

Group (Continued)

As at 31 December 2009 and 2008, 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 reporting date:

	2009 HK$'000	2008 HK$'000
0 – 30 days	3,883	2,518
31 – 60 days	1,733	1,455
61 – 90 days	1,235	469
91 to 180 days	198	1,495
Over 180 days	80	215
	7,129	6,152

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

	2009 HK$'000	2008 HK$'000
Neither past due nor impaired	3,395	1,652
1 – 90 days past due	3,468	2,805
91 – 180 days past due	186	1,477
Over 180 days past due	80	218
	3,734	4,500
	7,129	6,152

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

	2009 HK$'000	2008 HK$'000
Deposits	**163**	100
Prepayments	**3,709**	3,764
Other receivables	**6,598**	5,236
	10,470	9,100

Company

	2009 HK$'000	2008 HK$'000
Prepayments	**394**	150
Other receivables	**202**	41
	596	191

Other receivables 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. Amounts due from/(to) Subsidiaries

Company

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

24. Cash and Cash Equivalents

Cash and cash equivalents include cash at banks and in hand.

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

As at 31 December 2009, the Group had cash and bank balances denominated in Renminbi ("RMB") amounting to approximately HK$13,296,000 (2008: HK$17,442,000), 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 reporting date:

	2009 HK$'000	2008 HK$'000
0 – 30 days	**1,247**	363
31 – 60 days	**683**	694
61 – 90 days	**512**	2,054
91 – 180 days	**1,767**	1,894
Over 180 days	**4,336**	2,505
	8,545	7,510

26. Other Payables, Accrued Expenses and Receipts in Advance

Group

	2009 HK$'000	2008 HK$'000
Other payables	**19,689**	20,239
Accrued expenses	**2,040**	1,982
Receipts in advance	**177**	128
	21,906	22,349

Company

	2009 HK$'000	2008 HK$'000
Accrued expenses	**857**	17

27. Borrowings

Group

	Notes	Original currency	2009 HK$'000	2008 HK$'000
Non-current				
Government loans – unsecured	(i)	RMB	**597**	937
Current				
Government loans – unsecured	(i)	RMB	**1,784**	1,444
Bank loans – unsecured	(ii)	RMB	**5,670**	5,670
Other loans – unsecured	(iii)	RMB	**6,921**	10,998
			14,375	18,112
Total borrowings			**14,972**	19,049

At 31 December 2009, the Group's borrowings were repayable as follows:

	2009 HK$'000	2008 HK$'000
Government loans repayable:		
Within one year or on demand	**1,784**	1,444
In the second year	**340**	340
In the third to fifth years, inclusive	**257**	597
	2,381	2,381
Bank loans repayable:		
Within one year or on demand	**5,670**	5,670
Other loans repayable:		
Within one year or on demand	**6,921**	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 loan 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 be reliably measured and no transaction price was recorded. The interest rate of bank loans is 5.75‰ (2008: 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.

(iv) The Group provided guarantee of approximately RMB3,000,000 (approximately HK$3,405,000) to the bank in connection with banking facilities granted by the bank to 濟寧市天翔機械制造有限公司 and no provision for the Group's obligation under the guarantee contract has been made as the directors considered that it was not probable that the repayment of this borrowing would be in default.

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, in the amount of HK$2,000,000 on 25 November 2011, in the amount of HK$1,000,000 on 20 April 2012, in the amount of HK$1,000,000 on 7 August 2012 and in the amount of HK$2,000,000 on 8 November 2012. 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 equity.

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. Loan From A Minority Equity Holder of A Subsidiary

Group

The loan is unsecured interest-free and repayable in the amount of HK$6,800,000 on 21 October 2012.

The fair value of the loan from a minority equity holder of a subsidiary, was calculated using a market interest rate. The residual amount, representing the difference arising from at fair value and at the nominal value of loan from a minority equity holder of a subsidiary, is included in equity.

The fair value of the loan from a minority equity holder of a subsidiary was calculated using cash flows discounted at a rate based on the estimated discount rate of 5%.

Interest expense on the loan from a minority equity holder of a subsidiary is calculated using the effective interest method by applying effective interest rate of 5%.

30. Convertible Bonds

Group and Company

	2009 HK$'000	2008 HK$'000
Convertible bonds	–	14,001

The convertible bonds were issued on 16 October 2007. The bonds were 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 would be redeemed on 16 October 2009 at par. The convertible bonds did 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 was denominated in HK$. At 31 December 2008, the convertible bonds are repayable within one year.

The convertible bonds recognised in the statement of financial position are calculated as follows:

	2009 HK$'000	2008 HK$'000
Fair value of convertible bond	–	14,700
Equity component	–	(1,700)
Liability component on initial recognition	–	13,000
Imputed interest expense	–	1,001
Liability component at 31 December	–	14,001

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.

31. Deferred Tax

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	Accelerated tax depreciation	Tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	–	83	(83)	–
Charge/(credit) to profit or loss (Note10)	–	(42)	42	–
Attributable to change in tax rates (Note 10)	–	(3)	3	–
Acquisition of subsidiaries (Note 39)	693	–	–	693
At 31 December 2008 and 1 January 2009	693	38	(38)	693
Charge/(credit) to profit or loss (Note10)	–	(37)	37	–
At 31 December 2009	**693**	**1**	**(1)**	**693**

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 2009, the Group has unused tax losses of HK$11,325,000 (2008: HK$705,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$6,000 (2008: HK$230,000) 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$11,319,000 (2008: HK$475,000) 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 (2008: Nil).

32. Share Capital

	Number of shares '000	Total HK$'000
Authorised:		
Ordinary shares of HK$0.001 each at 31 December 2008 and 2009	1,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2008 and at 31 December 2008	3,412,720	3,413
Conversion rights of convertible bonds exercised (Note (i))	2,100,000	2,100
At 31 December 2009	5,512,720	5,513

Note:

(i) During the year ended 31 December 2009, 2,100,000,000 ordinary shares of HK$0.001 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of HK$1 per share (Note 30).

All new ordinary shares issued during the year ended 31 December 2009 have the same rights as other ordinary shares of the Company in issue.

33. 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.

33. Share-based Employee Compensation (Continued)

At 31 December 2009, an aggregate of 21,440,000 (2008: 21,440,000) shares of the Company were issuable pursuant to share options granted under the Share Option Scheme, representing approximately 0.4% (2008: 0.6%) of the shares of the Company in issue at that date.

As at 31 December 2009, the total number of shares available for issue pursuant to the grant of further options under the Share Option Scheme was 319,832,000 (2008: 319,832,000), representing approximately 5.8% (2008: 9.4%) and approximately 9.6% (2008: 9.4%) of the issued share capital of the Company as at 31 December 2009 and the date of this Annual Report respectively.

At the date of this Annual Report, the Company had 20,276,000 (2008: 21,440,000) share options outstanding under the Share Option Scheme, which represented approximately 0.4% (2008: 0.6%) of shares of the Company in issue at that date.

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.

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

Year ended 31 December 2009:

		Number of share options				
Name or category of participant	**Share option type**	**Outstanding at 1 January 2009**	**Granted during the year**	**Exercised during the year**	**Forfeited during the year**	**Outstanding at 31 December 2009**
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	240,000	–	–	–	240,000
Total		21,440,000	–	–	–	21,440,000

33. Share-based Employee Compensation (Continued)

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	240,000	–	–	–	240,000
Total		21,440,000	–	–	–	21,440,000

Details of the share options are as follows:

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

Notes:

(i) Share options granted on 15 April 2002 is 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.

33. Share-based Employee Compensation (Continued)

(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) The fair values of options granted under the relevant Share Option Scheme on 15 April 2002 and 22 November 2007, measured at the date of grant, were approximately HK$5,024,000 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	15 April 2002	22 November 2007
Expected volatility	29%	20%
Expected life (in years)	9.7	2.5
Risk-free interest rate	5%	2%
Expected dividend yield	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.

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

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

	2009		2008	
	Number of share options	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$
Outstanding at 1 January and 31 December	**21,440,000**	**1.19**	21,440,000	1.19

No share options were granted, exercised or forfeited during the year ended 31 December 2009 and 2008.

The share options outstanding at 31 December 2009 had exercise price of HK$0.69 or HK$1.20 (2008: HK$0.69 or HK$1.20) and a weighted average remaining contractual life of 2 years (2008: 3.0 years).

34. 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 and loan from a minority equity holder of a subsidiary on initial recognition.

Employee compensation reserve of the Company and of the Group represented to recognise the share-based compensation in statement of comprehensive income 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 HK$'000	Other reserve HK$'000	Employee compensation reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2008	30,211	–	831	1,700	(9,986)	22,756
Recognition of equity-settled share-based compensation	–	–	2,706	–	–	2,706
Arising from loans from ultimate holding company	–	4,877	–	–	–	4,877
Transactions with owners	–	4,877	2,706	–	–	7,583
Loss for the year and total comprehensive income for the year	–	–	–	–	(9,445)	(9,445)
At 31 December 2008 and 1 January 2009	30,211	4,877	3,537	1,700	(19,431)	20,894
Conversion rights of convertible bonds exercise	14,300	–	–	(1,700)	–	12,600
Arising from loans from ultimate holding company and transactions with owners	–	415	–	–	–	415
Transactions with owners	14,300	415	–	(1,700)	–	13,015
Loss for the year and total comprehensive income for the year	–	–	–	–	(53,551)	(53,551)
At 31 December 2009	**44,511**	**5,292**	**3,537**	**–**	**(72,982)**	**(19,642)**

35. Operating Lease Commitments

Group

At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2009 HK$'000	2008 HK$'000
Within one year	**329**	164
In the second to fifth year inclusive	**164**	–
	493	164

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 2009 and 2008.

36. Capital Commitments

Group

	2009 HK$'000	2008 HK$'000
Contracted but not provided for		
Property, plant and equipment	**2,004**	2,396

Company

The Company did not have any significant capital commitments as at 31 December 2009 and 2008.

37. 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 statement of comprehensive income 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. There was no forfeited contributions utilised in this manner during the year (2008: HK$1,000). There was no significant amount of forfeited contributions available to reduce future contribution payable by the Group as at 31 December 2009 and 2008.

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.

38. 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:

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.

39. Acquisition of Subsidiaries and Business Combination

On 20 May 2008, the Group acquired 2,000 ordinary shares of Divine Mission 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.

39. 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
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 bills 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.

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 Categories of financial assets and liabilities

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

(i) Financial assets

	Group		Company	
	2009	2008	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000
Loans and receivables:				
Current assets				
Trade and bills receivables	7,129	6,152	–	–
Other receivables	6,598	5,236	202	41
Amount due from a subsidiary	–	–	200	200
Cash and bank balances	16,240	20,776	1,107	1,680
	29,967	32,164	1,509	1,921

40. Financial Risk Management Objectives and Policies (Continued)

40.1 Categories of financial assets and liabilities (Continued)

(ii) Financial liabilities

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities at amortised cost:				
Current liabilities				
Trade payables	**8,545**	7,510	**–**	–
Other payables	**19,689**	20,239	**–**	–
Amounts due to subsidiaries	**–**	–	**1,079**	1
Borrowings	**14,375**	18,112	**–**	–
Convertible bonds	**–**	14,001	**–**	14,001
	42,609	59,862	**1,079**	14,002
Non-current liabilities				
Borrowings	**597**	937	**–**	–
Loans from ultimate holding company	**49,026**	43,292	**49,026**	43,292
Loan from a minority equity holder of a subsidiary	**5,933**	–	**–**	–
	55,556	44,229	**49,026**	43,292
	98,165	104,091	**50,105**	57,294

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. Financial Risk Management Objectives and Policies (Continued)

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.

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 reporting 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 (2008: 100) basis points at the beginning of the year, the Group loss for the year and accumulated losses would increase/decrease by approximately HK$51,000 (2008: 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.

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. Financial Risk Management Objectives and Policies (Continued)

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.

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$4,963,000 and HK$33,000 respectively as at 31 December 2009. 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 2009 and 2008, 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 2009						
Trade payables	**7,905**	**640**	**–**	**–**	**8,545**	**8,545**
Other payables	**19,396**	**9**	**284**	**–**	**19,689**	**19,689**
Borrowings	**6,044**	**1,282**	**7,049**	**597**	**14,972**	**14,972**
Loans from ultimate holding company	**–**	**–**	**–**	**51,000**	**51,000**	**49,026**
Loan from a minority equity holder of a subsidiary	**–**	**–**	**–**	**6,800**	**6,800**	**5,933**
	33,345	**1,931**	**7,333**	**58,397**	**101,006**	**98,165**
Financial guaranteed issued:						
Maximum amount guaranteed	**–**	**–**	**3,405**	**–**	**3,405**	**–**
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

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 2009						
Amounts due to subsidiaries	**1,079**	**–**	**–**	**–**	**1,079**	**1,079**
Loans from ultimate holding company	**–**	**–**	**–**	**51,000**	**51,000**	**49,026**
	1,079	**–**	**–**	**51,000**	**52,079**	**50,105**
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

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 reporting date was as follows:

	2009 HK$'000	2008 HK$'000
Capital		
Total equity	(6,871)	30,812
Loans from ultimate holding company	(5,292)	(4,877)
Loan from a minority equity holder of a subsidiary	(556)	–
Convertible bonds – equity components	–	(1,700)
	(12,719)	24,235
Overall financing		
Borrowings	14,972	19,049
Loans from ultimate holding company	54,318	48,169
Loan from a minority equity holder of a subsidiary	5,933	–
Convertible bonds – equity and liability components	–	15,701
	75,223	82,919
Capital-to-overall financing ratio	N/A	0.29 times

42. Events After the Reporting Date

In addition to those disclosed elsewhere in these financial statements, the Group had the following material events after the reporting date:

(a) On 12 November 2009, the Company entered into a conditional agreement with Brilliant People Limited (the "Vendor"), pursuant to which the Vendor agreed to sell and the Company agreed to purchase the entire issued share capital of Hill Talent Limited at a consideration of HK$880 million (the "2009 Proposed Acquisition'). Hill Talent Limited and its subsidiary are principally engaged in the exploration of mineral resources and its major assets are property, plant and equipment, intangible assets – "exploration and evaluation assets" and cash at banks and in hand. The 2009 Proposed Acquisition has not been completed up to the approval of these financial statements.

The consideration will be satisfied by the Vendor as to (i) HK$480 million by the Company to allot and issue 600,000,000 the Company's ordinary shares of HK$0.001 each at a price of HK$0.8 per share to the Vendor or parties nominated by the Vendor and (ii) HK$400,000,000 by the Company to issue HK$400,000,000 zero coupon irredeemable convertible bonds to the Vendor or parties nominated by the Vendor. Further details of which are disclosed in the Company's very substantial acquisition circular dated 24 February 2010; and

(b) On 5 March 2010, the Company entered into a conditional agreement with Votorantim Novos Negócios Ltda and its subsidiary (the "Vendors"), pursuant to which the Vendors agreed to sell and the Company agreed to purchase the entire issued share capital of Sul Americana de Metais S.A. ("SAM") at a cash consideration of US$390 million (the "2010 Proposed Acquisition"). SAM is principally engaged in the exploration of mineral resources. The 2010 Proposed Acquisition has not been completed up to the approval of these financial statements.

Financial Summary

FINANCIAL RESULTS

	Year ended 31 December				
	2005	2006	2007	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	94,855	83,464	67,843	55,091	32,592
Direct operating expenses	(65,542)	(68,054)	(43,696)	(39,864)	(20,567)
Other operating revenue	195	259	192	480	342
Selling and distribution costs	(18,967)	(19,491)	(17,271)	(7,101)	(5,904)
Administrative expenses	(6,735)	(8,332)	(9,998)	(15,095)	(17,270)
Other operating income/(expenses), net	(376)	(2,015)	4,628	(10,880)	(3,309)
Impairment of goodwill	–	–	–	–	(35,686)
Operating profit/(loss)	3,430	(14,169)	1,698	(17,369)	(49,802)
Finance costs	–	–	(169)	(2,575)	(3,918)
Profit/(loss) before income tax	3,430	(14,169)	1,529	(19,944)	(53,720)
Income tax expense	–	–	–	–	–
Profit/(loss) for the year	3,430	(14,169)	1,529	(19,944)	(53,720)
Attributable to:					
Owners of the Company	3,430	(14,169)	1,529	(15,729)	(50,136)
Minority interest	–	–	–	(4,215)	(3,584)
Profit/(loss) for the year	3,430	(14,169)	1,529	(19,944)	(53,720)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2005	2006	2007	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	35,491	21,228	41,759	137,706	94,204
Total liabilities	(31,225)	(28,229)	(22,561)	(106,894)	(101,075)
Minority interest	2,698	–	–	(19,686)	(16,470)
Equity attributable to owners of the Company	6,964	(7,001)	19,198	11,126	(23,341)

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.