THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular is for information purposes only and does not constitute an invitation or offer to acquire or subscribe for securities.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Honbridge Holdings Limited (the "Company") you should at once hand this circular together with the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

HONBRIDGE HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(stock code：8137)

VERY SUBSTANTIAL ACQUISITION

Financial adviser

CIMB-GK Securities (HK) Limited

A letter from the Board is set out on pages 4 to 13 of this circular.

A notice convening an EGM of the Company to be held at Suite 2703, 27/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong, at 10 a.m. on Tuesday, 20 May 2008 is set out on pages 120 to 122 of this circular. If you are not able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of Union Registrars Limited Room 1901-02, Fook Lee Commercial Centre Town Plaza, 33 Lockhart Road Wanchai Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the date of its posting and on the website of Honbridge Holdings Limited at www.8137.hk

2 May 2008

CHARACTERISTICS OF GEM

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.

CONTENTS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

"associate(s)"	has the same meaning ascribed to it under the GEM Listing Rules
"Acquisition"	the acquisition by the Company of 2,000 shares of Divine Mission from the Vendor pursuant to the terms and conditions of the Share Transfer Agreement
"Company"	Honbridge Holdings Limited, a company incorporated in the Cayman Islands with limited liabilities, the Shares of which are listed on the GEM
"Completion"	completion of the Share Transfer Agreement and the Subscription Agreement
"connected person"	has the same meaning ascribed to it under the GEM Listing Rules
"Director(s)"	the directors of the Company
"Divine Mission"	Divine Mission Holdings Limited, a company incorporated in the British Virgin Islands and wholly owned by the Vendor
"Donnion"	東永投資有限公司 (Donnion Investments Limited), a company incorporated in Hong Kong and wholly owned by the Vendor
"EGM"	the extraordinary general meeting of the Company to be convened and held to consider and, if thought appropriate, to approve, among other matters (if any), the Share Transfer Agreement, the Subscription Agreement and the transactions contemplated thereunder
"Enlarged Group"	The Group as enlarged after the completion of the Acquisition of the Subscription
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	The Rules Governing the Listing of Securities on the GEM
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong

"Kailun (China)"	Kailun (China) Investments Holdings Limited (凱倫(中國)投資控股有限公司), a company incorporated in Hong Kong and wholly owned by the Vendor
"Kailun (QuFu)"	Kailun (QuFu) Property Investment Limited (凱倫(曲阜)置業有限公司), a company incorporated in the PRC and wholly owned by Kailun (China)
"Kailun PV (Jining)"	濟寧凱倫光伏材料有限公司, a foreign investment enterprise with limited liabilities incorporated in Jining, Shandong Province, the PRC under the law of the PRC on 19 March 2004
"Kailun PV (HK)"	Kailun Photovoltaic Materials Investments Limited (凱倫光伏材料投資有限公司), a company incorporated in Hong Kong with limited liabilities and is wholly owned by Divine Mission
"Latest Practicable Date"	28 April 2008, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information contained herein
"PRC"	the Peoples' Republic of China
"Shares"	ordinary share(s) of HK$0.001 in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Share Transfer Agreement"	the share transfer agreement dated 8 April 2008 as supplemented by a supplemental agreement dated 8 April 2008 entered into between the Company and the Vendor in relation to the Acquisition as more particularly set out under the section headed "The Share Transfer Agreement Dated 8 April 2008" of this circular
"Solar Silicon"	silicon of high purity applied in electronic and solar energy industries
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription by the Company of 10,000 new shares of Divine Mission pursuant to the terms and conditions of the Subscription Agreement
"Subscription Agreement"	the Subscription Agreement dated 8 April 2008 entered into between the Company and Divine Mission in relation to the subscription of 10,000 new shares of Divine Mission

"Vendor"	Mr. LIU Xiangmao, the beneficial owner of 100% shareholding interest in Divine Mission
"%"	per cent.
"4N silicon"	silicon material with 99.99% purity
"5N silicon"	silicon material with 99.999% purity
"6N silicon"	silicon material with 99.9999% purity

In this circular, US$ has been converted to HK$ at the rate of US$1 = HK$7.78 for illustration purpose only. No representation is made that any amounts in US$ or HK$ have been, could have been or could be converted at the above rate or at any other rates or at all.

HONBRIDGE HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
(stock code：8137)

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

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

Head office and principal place of business in Hong Kong:
Suite 2703, 27/F
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Unit C, 3/F
Wah Shing Centre
5 Fung Yip Street
Chai Wan
Hong Kong

2 May 2008

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION

I. INTRODUCTION

On 8 April 2008, the Company entered into i) the Share Transfer Agreement with the Vendor for the acquisition of 2,000 shares in Divine Mission current owned by the Vendor, representing approximately 20% of the existing issued share capital of Divine Mission and 10% of the enlarged issued share capital of Divine Mission for a consideration of US$ 1,000,000 (equivalent to HK$7,780,000); and ii) the Subscription Agreement with Divine Mission pursuant to which the Company will subscribe for 10,000 new shares of Divine Mission, representing approximately 100% of the existing issued share capital of Divine Mission and 50% of the enlarged issued share capital of Divine Mission for a consideration of US$ 8,000,000 (equivalent to HK$62,240,000).

Pursuant to a separate share transfer agreement, Donnion and Kailun (QuFu) will transfer their equity interests in Kailun PV (Jining) to Kailun PV (HK), a wholly-owned subsidiary of Divine Mission. After completion of the transfer, Divine Mission will indirectly own the entire equity interest of Kailun PV (Jining).

The aggregated consideration will be satisfied by way of cash by internal resources and/or equity financing and/or shareholders loan of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Divine Mission, its ultimate beneficial owner and the Vendor are third parties independent of the Company and its connected persons. As at the Latest Practicable Date, the Vendor is interested in 6,080,000 Shares, representing approximately 0.18% of the issued share capital of the Company. The Vendor and its associates will abstain from voting at the EGM. Upon Completion, Divine Mission will become a 60% subsidiary of the Company and the accounts of Divine Mission will be consolidated into that of the Group.

The purpose of this circular is to provide you with further information on the Share Transfer Agreement, the Subscription Agreement and, among other things, the accountants' report on Kailun PV (Jining), a wholly-owned subsidiary of Divine Mission. A notice of the EGM in accordance with the requirement of the GEM Listing Rules has been included in this circular.

THE SHARE TRANSFER AGREEMENT DATED 8 APRIL 2008

Parties

Purchaser	:	the Company
Seller	:	the Vendor

As at the Latest Practicable Date, the Vendor is interested in 6,080,000 Shares, representing approximately 0.18% of the issued share capital of the Company. To the best of the directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor is a third party independent of the Company and its connected persons.

Assets to be transferred:

2,000 shares in Divine Mission current owned by the Vendor, representing approximately 20% of the existing issued share capital of Divine Mission and 10% of the enlarged issued share capital of Divine Mission.

Consideration

US$1,000,000 (equivalent to HK$7,780,000) shall be payable in cash by the Company to the Vendor. The consideration will be satisfied by way of cash by internal resources and/or equity financing and/or shareholders' loan of the Company.

Completion of the Share Transfer Agreement is conditional upon, amongst other things, satisfaction of the following conditions precedent within 3 months from the date of the Share Transfer Agreement, or such other date as the parties to the Share Transfer Agreement may agree:

i) the approval of the Share Transfer Agreement by the Shareholders at the EGM;

ii) completion of the separate share transfer agreement, pursuant to which Donnion and Kailun (QuFu) will transfer their equity interests in Kailun PV (Jining) to Kailun PV (HK), a wholly-owned subsidiary of Divine Mission; and

iii) completion of the Subscription Agreement.

THE SUBSCRIPTION AGREEMENT DATED 8 APRIL 2008

Parties

Subscriber : the Company

Issuer : Divine Mission

As at the Latest Practicable Date, the Vendor is interested in 6,080,000 Shares, representing approximately 0.18% of the issued share capital of the Company. To the best of the directors' knowledge, information and belief and having made all reasonable enquiries, Divine Mission and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Shares to be issued:

10,000 new shares of Divine Mission, representing approximately 100% of the existing issued share capital of Divine Mission and 50% of the enlarged issued share capital of Divine Mission.

Consideration

US$8,000,000 (equivalent to HK$62,240,000) to subscribe for 10,000 new shares in Divine Mission. The consideration will be satisfied by way of cash by internal resources and/or equity financing and/or shareholders' loan of the Company.

Completion of the Subscription Agreement is conditional upon, amongst other things, satisfaction of the following conditions precedent within 3 months from the date of the Subscription Agreement, or such other date as the parties to the Subscription Agreement may agree:

i) approval of the Subscription Agreement by the Shareholders at the EGM;

ii) completion of the separate share transfer agreement, pursuant to which Donnion and Kailun (QuFu) will transfer their equity interests in Kailun PV (Jining) to Kailun PV (HK), a wholly-owned subsidiary of Divine Mission; and

iii) completion of the Share Transfer Agreement.

The aggregated consideration has been determined after arm's length negotiation between the parties thereto with reference to the recent financial performance and the future prospects of Kailun PV (Jining), taking into account the recent increase in price of highly purified silicon and the prospect of the solar energy industry. The Directors consider that the consideration is fair and reasonable so far as the Company and the Shareholders are concerned.

The Share Transfer Agreement and the Subscription Agreement are inter-conditional. Upon Completion, the Company will be interested in 60% of the enlarged issued share capital of Divine Mission. As at the Latest Practicable Date, the Company does not have any further capital commitment on Divine Mission and its subsidiaries.

Deposit

A deposit of HK$10,000,000 is payable by the Company to Divine Mission on the fifth business day after signing of the Share Transfer Agreement and the Subscription Agreement. As at the Latest Practicable Date, such deposit has been paid by the Company to Divine Mission. If the Share Transfer Agreement and the Subscription Agreement were terminated, Divine Mission shall refund the deposit to the Company within 3 business days of the date of termination of the Share Transfer Agreement and the Subscription Agreement. If the Share Transfer Agreement and the Subscription Agreement were completed, the deposit will form part of the consideration for the Subscription.

The consideration to the Vendors and the remaining balance of the consideration for the Subscription shall be payable by the Company upon Completion.

INFORMATION ON DIVINE MISSION

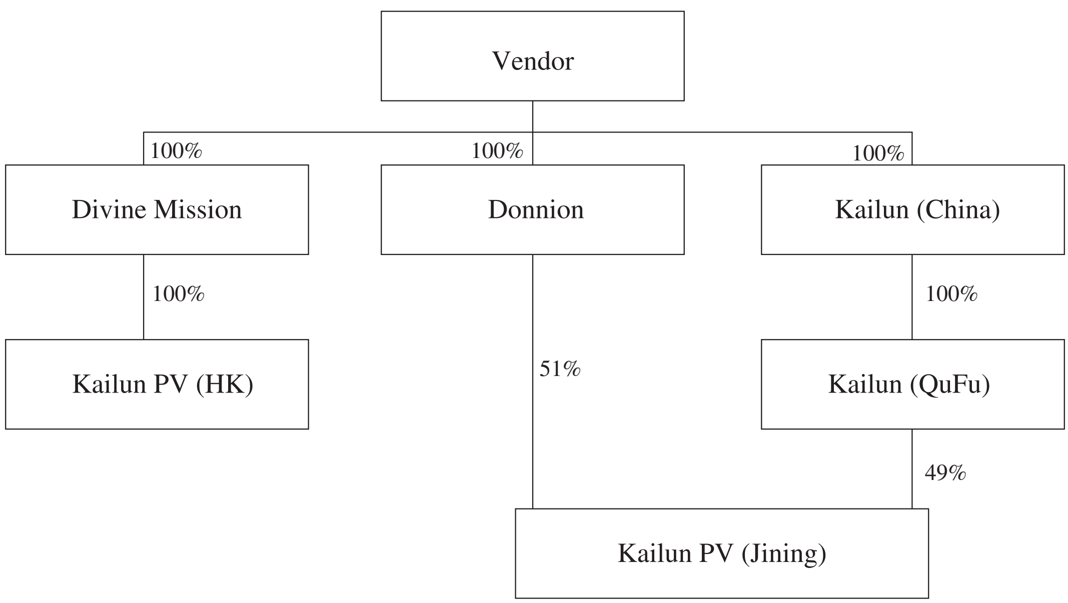
Divine Mission is a company incorporated in the British Virgin Islands. Its principal activity is investment holding and it is wholly owned by the Vendor. As at Latest Practicable Date, Kailun PV (Jining) is 51% owned by Donnion and 49% owned by Kailun (QuFu). Prior to Completion, Donnion and Kailun (QuFu) will transfer their equity interests in Kailun PV (Jining) to Kailun PV (HK) and Divine Mission will indirectly own the entire equity interest of Kailun PV (Jining).

As both Divine Mission and Kailun PV (HK) were recently incorporated in 2008 and its sole investment is on Kailun PV (Jining), the Directors considered that the accountants' report of Kailun PV (Jining) for the three years ended 31 December 2007 as set out in Appendix III to this circular and the unaudited pro forma financial information of the Enlarge Group prepared based on the financial statements of Kailun PV (Jining) as set out in Appendix V to this circular would provide Shareholders with sufficient information in regard to the Acquisition and Subscription.

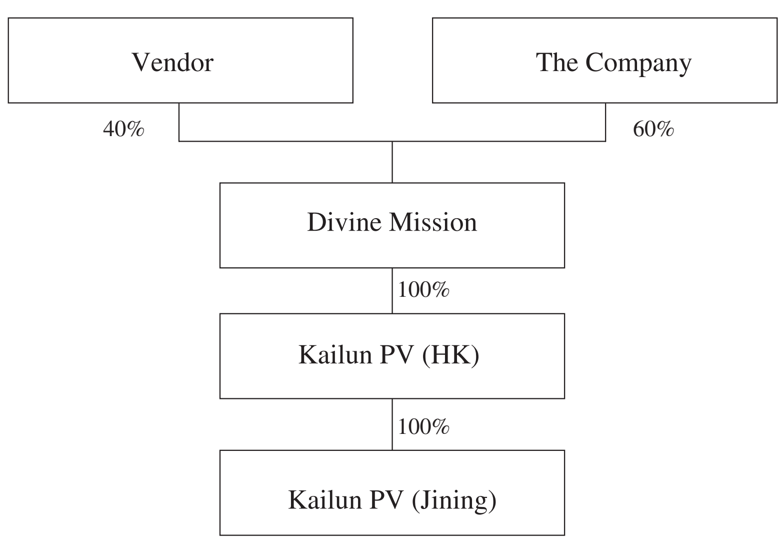
In addition, the Directors has noted that the accountant's report of Kailun PV (Jining) was prepared by Grant Thornton on a going concern basis on the basis that (i) the ultimate beneficiary owner of Kailun PV (Jining), being Mr. Liu Xiangmao will continue to provide financial support to Kailun PV (Jining) to meet Kailun PV (Jining)'s liabilities and commitments up to 31 December 2008 or the date of Completion, whichever is shorter; (ii) fellow subsidiaries of Kailun PV (Jining) and minority equity holder of Kailun PV (Jining) have undertaken not to demand repayment of debts due from Kailun PV (Jining) until such time when repayment will not affect Kailun PV (Jining)'s ability to repay other creditors in the normal course of business; and (iii) Divine Mission will indirectly make capital contribution to Kailun PV (Jining) in the amount of US$8,000,000 in cash upon Completion. Given that the Vendor will own 40% of Divine Mission after the Completion and that the consideration for the Subscription of US$8,000,000 will be used to enlarge the capital base of Kailun PV (Jining), the Directors considered that Kailun PV (Jining) should continue to operate as a going concern immediately after the Completion.

The existing shareholding structure of Kailun PV (Jining) and the shareholding structure of Kailun PV (Jining) after the Completion are as follows:

Existing shareholding structure



Shareholding structure after the Completion



Overview of the Solar Industry

As energy resources generated from coal, crude oil and natural gas face a number of challenges including rising prices and growing environmental concerns, renewable energy such as solar, biomas, geothermal, hydroelectric and wind power generation have emerged as power alternatives. Among the available power alternatives, solar energy is one of the most popular renewable energy resources, and is estimated to continue increasing its importance as a common alternative power source for the global energy consumption.

According to Solarbuzz LLC, an independent international solar energy consulting company, the world solar photovoltaics ("PV") market installations reached a record high of 2,826 megawatts (MW) in 2007, representing growth of 62% over the previous year. Remarkably, the industry has raised nearly US$10 billion and generated US$17.2 billion in global revenues for the year 2007.

Conversion of light energy into electricity:

PV technology, with no pollution emission and no greenhouse gasses production, enable the direct conversion of light energy to electricity, when PV cells are exposed to light energy. In brief, when light energy strikes the cell, electrons are knocked loose in the semiconductor material. If electrical conductors are attached to the positive and negative sides, the electrons can be captured into electricity.

PV value chain:

The PV value chain starts from the purification and crystallization of silicon, cutting of crystallized silicon (or ingot) into wafers, processing of wafers into cells, assembling the cells into modules, and the overhead energy use for the end users. Solar Silicon production is a complicated process which has been an oligarchical industry for the past 20 years. In general, the refining methods for silicon includes i) the chemistry crystallization method (which includes the siemens method and the modified siemens method); and ii) the physics purification method. Compared to the chemistry crystallization method, the physics purification method is a relatively safer method which requires a lower investment cost.

Low production capacity of the upstream Solar Silicon producers, together with the rapid growing needs for solar energy as power alternatives in countries such as Germany, the USA, Japan, Spain, Italy and China, has lead to the shortage for Solar Silicon in the PV industry, which has consequently led to the prices of this key component of solar cells to soar for the past few years. According to Solarbuzz LLC, despite polysilicon production for both solar and semiconductor use has increased for an approximately 30% in 2007, it remains as the most capacity constrained part along the PV value chain.

Currently, Kailun PV (Jining) is primarily focused in the production and sales of highly purified silicon up to the purity of 4N Silicon, and research and development in the production of Solar Silicon, which is well positioned in the upstream of the PV value chain. As represented by the Vendor and based on the information provided by the Vendor, Kailun PV (Jining) has achieved a technology breakthrough in producing 5N Silicon with the physics purification method.

Information of Kailun PV (Jining)

The Company understands from the Vendor that for the two years ended 31 December 2007, Kailun PV (Jining) was primarily engaged in the production and sales of highly purified silicon up to the purity of 4N Silicon. The highly purified silicon produced by Kailun PV (Jining) is used in the chemical and smelting industries. As represented by the Vendor and based on the information provided by the Vendor, Kailun PV (Jining) has achieved a technology breakthrough in producing 5N Silicon with the physics purification method, which has lower cost of production as compare to the conventional method. The newly developed 5N Silicon has passed internal testings by Kailun PV (Jining) and has been launched to the market on a small scale basis. 5N Silicon has a higher market selling price than 4N Silicon and can be used in the refining process of higher graded purified silicon, which is used in the solar industry. Kailun PV (Jining) is planning to make investment to commence commercial production of 5N Silicon in Beijing in the second half of 2008. At the same time, Kailun PV (Jining) continues its research and development in order to achieve the technology standard to produce 6N Silicon, which is used as the principal raw materials in the solar industry.

The Directors believe that with the commercial launch of 5N Silicon and the increasing trend in price of highly purified silicon, Kailun PV (Jining)'s business future is promising and hence the Acquisition and Subscription represents a good investment opportunity for the Company upon Completion.

The Company will nominate two directors and the Vendor will nominate one director into the board of directors of each of Divine Mission and Kailun PV (HK) and the Company will nominate four directors and the Vendor will nominate three directors into the board of directors of Kailun PV (Jining), immediately upon Completion.

In order to facilitate its research and development to achieve the technology standard to produce 6N Silicon, Kailun PV (Jining) has employed two expertise in the area of solar cell research and engineering, whose track records, background and awards received are outlined as follow:

Mr. Lin Anzhong, age 59, obtained his Doctor of Materials Science from Rice University in USA in 1978 and conducted his postdoctoral fellowship training in the Southern Methodist University, Texas, USA for the research and development of polycrystalline silicon thin-film solar cell. In 1979, he joined the General Research Institute for Nonferrous Metals, Beijing, China, and dedicated his time on the research and development of solar cell. From 1994-1999, he was appointed as the deputy director-general of China Solar Energy Society and director of PV Professionals Committee. In November 2006, Mr. Lin was awarded with the China Solar Energy Suntech (PV) Award（中國太陽能光伏尚德獎）by the PV Technical Committee of China Solar PV Association for his works and contribution to the solar cell research. In January 2007, Mr. Lin was appointed by the PRC government to participate in the Eleventh Five-Year Plan's 863 research project on the development and manufacturing of the 270kg solar silicon igot furnace.

Mr. Zhao Zeshi, age 58, graduated from Tsinghua University, the PRC in 1983. He has been dedicated in the research and development of technology and facilities in metal material for over 20 years, as well as on the refining facilities and technology in Solar Silicon. During his career, Mr. Zhao has obtained numbers of awards from various recognized organization, including the National Science Technology Improvement Award in 1983 and the Beijing City Science Technology Improvement Award in 1986. Since 1994, Mr. Zhao has been granted the government special subsidy from the PRC State Council for his outstanding contribution in engineering technology.

REASONS FOR THE ACQUISITION

The Company is principally engaging in magazine publishing and advertising activities. As stated in the Company's circular to the Shareholders dated 14 September 2007, the Company is also actively seeking business opportunities in the area of energy and resources.

Kailun PV (Jining) is a foreign investment enterprise with limited liabilities incorporated in the PRC under the law of the PRC on 19 March 2004. Based on information provided by the Vendor, Kailun PV (Jining)'s production facility located in Jining, Shandong Province, the PRC occupied a gross floor area of approximately 20,000m^2. It produced approximately 3,500 tonnes of highly purified silicon in 2007. As stated above, the Vendor has represented and provided information stating that Kailun PV (Jining) has achieved a technology breakthrough in producing 5N Silicon with the physics purification method. The Directors understand from the Vendor that Kailun PV (Jining) is currently planning to commercialize the production of 5N Silicon. At the same time, Kailun PV (Jining) continues its research and development in order to achieve the technology standard to produce 6N Silicon, which is used in the solar industry.

The Company believes that entering into the Share Transfer Agreement and the Subscription Agreement would enable the Company to invest into a company with potential rapid growth. It is expected that the consideration for the Subscription of US$8,000,000 (equivalent to HK$62,240,000 million) will be used by Kailun PV (Jining) to make investment to commence commercial production of 5N Silicon in Beijing in the second half of 2008 and to conduct research and development in order to achieve the technology standard to produce 6N Silicon. Upon completion of the Acquisition and the Subscription, Divine Mission will become a 60% subsidiary of the Company and the accounts of Divine Mission will be consolidated into that of the Group.

Based on the current status of research and development as stated above, the Directors believe that Kailun PV (Jining) is progressing to achieve a significant breakthrough in technology to be able to produce higher value-added products. Hence, the Acquisition and the Subscription represents a good opportunity for the Company to invest in this industry which has good growth prospects and good return potential for the Company. The Directors consider the entering into of the Share Transfer Agreement and the Subscription Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Share Transfer Agreement and the Subscription Agreement are fair and reasonable so far as the Company and the Shareholders are concerned.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Group will be interested in 60% in the share capital of the enlarged issued share capital of Divine Mission. Divine Mission will be accounted for a non-wholly owned subsidiary of the Company and its results will be consolidated in to the financial statements of the Group. Detailed financial effects of the Acquisition and Subscription on earnings and assets and liabilities to the Group are illustrated in the section headed "Appendix V – Unaudited Pro Forma Financial Information on the Enlarged Group" of this circular.

LISTING RULES IMPLICATION

The Acquisition and Subscription constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and is subject to the approval of Shareholders at the EGM.

The Company will seek the approval of its Shareholders at the EGM to be convened and held by the Company to approve the Share Transfer Agreement, Subscription Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Divine Mission, its ultimate beneficial owner and the Vendor are third parties independent of the Company and its connected persons. As at the Latest Practicable Date, the Vendor is interested in 6,080,000 Shares, representing approximately 0.18% of the issued share capital of the Company, and the Vendor will abstain from voting at the EGM.

Shareholders and investors should note that the Share Transfer Agreement and the Subscription Agreement are subject to various conditions as stated above and Shareholders and investors are urged to exercise caution when dealing in the Shares.

EGM

Set out pages 120 to 122 of this circular is a notice convening the EGM to be held at Suite 2703, 27/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong, at 10:00 a.m. on Tuesday, 20 May 2008 at which ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, to approve the terms of the Share Transfer Agreement and the Subscription Agreement and the transactions contemplated thereunder. The vote of the Shareholders at the EGM will be taken by poll pursuant to the GEM Listing Rules. An announcement will be made in respect of the results of the poll. A form of proxy for use at the EGM is enclosed with this circular, whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company, Union Registrars Limited Room 1901-02, Fook Lee Commercial Centre Town Plaza, 33 Lockhart Road Wanchai Hong Kong, as soon as possible, but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not prevent you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish.

Procedures for demanding a poll

Pursuant to article 80 of the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

(a) the chairman of the meeting; or

(b) at least five members present in person or by proxy and entitled to vote or who represent in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or

(c) any member or members present in person or by proxy and holding shares of the Company conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares of the Company conferring that right; or

(d) if required by the GEM Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent (5%) or more of the total voting rights at such meeting.

Unless a poll is so demanded and not withdrawn, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Company's book containing the minutes of proceedings of meetings of the Company shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

RECOMMENDATION

The Directors consider that the entering into of the Share Transfer Agreement and the Subscription Agreement are beneficial to and in the best interests of the Company and the Shareholders as a whole. The terms of the Share Transfer Agreement and the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable to the Company and in the interests of the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to approve the entering into of the Share Transfer Agreement and the Subscription Agreement and the transactions contemplated thereunder at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

On behalf of the Board
Honbridge Holdings Limited
HE Xuechu
Chairman

I. FINANCIAL SUMMARY

The following is a summary of the audited consolidated financial information of the Group for each of the three years ended 31 December 2005, 2006 and 2007 as extracted from the relevant annual reports of the Company.

RESULTS OF THE GROUP:

	For the year ended 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	94,855	83,464	67,843
Profit/(loss) before taxation	3,430	(14,169)	1,529
Taxation	–	–	–
Profit/(loss) for the year	3,430	(14,169)	1,529
Profit/(loss) attributable to:			
Equity holders of the Company	3,430	(14,169)	1,529
Earnings/(loss) per share attributable to ordinary equity holders of the Company			
Basic	HK$0.68 cent	HK$(2.80) cents	HK$0.14 cent
Diluted	N/A	N/A	HK$0.11 cent

FINANCIAL POSITION OF THE GROUP:

	As at 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	35,491	21,228	41,759
Total liabilities	31,225	28,229	22,561
Total equity/(capital deficiency) attributable to equity holders of the Company	4,266	(7,001)	19,198

II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

Set out below are the audited consolidated financial statements of the Group, together with the relevant notes thereto, as extracted from the annual report of the Company for the year ended 31 December 2007.

Consolidated Income Statement
For the year ended 31 December 2007

		2007	2006
	Notes	*HK$'000*	*HK$'000*
Revenue	*5*	67,843	83,464
Direct operating expenses		(43,696)	(68,054)
Other operating revenue	*6*	192	259
Selling and distribution costs		(17,271)	(19,491)
Administrative expenses		(9,998)	(8,332)
Other operating income		5,480	4,548
Other operating expenses		(852)	(6,563)
Other operating income/(expenses), net	*9*	4,628	(2,015)
Operating profit/(loss)		1,698	(14,169)
Finance cost	*7*	(169)	–
Profit/(loss) before income tax	*9*	1,529	(14,169)
Income tax expense	*10*	–	–
Profit/(loss) for the year		1,529	(14,169)
Profit/(loss) attributable to:			
Equity holders of the Company	*11*	1,529	(14,169)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the year	*12*		
– Basic		HK0.14 cent	HK(2.80) cents
– Diluted		HK0.11 cent	N/A

Consolidated Balance Sheet
As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	15	1,293	554
Other intangible asset	18	–	19
		1,293	573
Current assets			
Trade receivables	19	5,414	17,657
Other receivables		1,300	435
Cash and cash equivalents	20	33,752	2,563
		40,466	20,655
Current liabilities			
Trade payables	21	5,375	21,981
Other payables, accrued expenses and receipts in advance		4,017	6,177
Amount due to a related company	32	–	71
		9,392	28,229
Net current assets/(liabilities)		31,074	(7,574)
Total assets less current liabilities		32,367	(7,001)
Non-current liability			
Convertible bonds	23	13,169	–
Net assets/(liabilities)		19,198	(7,001)
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	24	3,413	507
Reserves		15,785	(7,508)
Total equity/(capital deficiency)		19,198	(7,001)

Balance Sheet
As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	15	997	–
Interest in a subsidiary	16	7,266	510
		8,263	510
Current assets			
Amount due from a subsidiary	16	–	3,910
Other receivables		177	25
Cash and cash equivalents	20	31,331	21
		31,508	3,956
Current liabilities			
Other payables and accrued expenses		432	78
Amount due to a subsidiary	22	1	–
		433	78
Net current assets		31,075	3,878
Total assets less current liabilities		39,338	4,388
Non-current liability			
Convertible bonds	23	13,169	–
Net assets		26,169	4,388
EQUITY			
Share capital	24	3,413	507
Reserves	26	22,756	3,881
Total equity		26,169	4,388

Consolidated Cash Flow Statement
For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Profit/(loss) before income tax		1,529	(14,169)
Adjustments for :			
Depreciation	9	285	481
Gain on disposal of subsidiaries	9	(5,480)	(4,548)
Impairment of plant and equipment	9	–	617
Equity-settled share-based payment expenses	13	749	–
Interest income	6	(79)	(58)
Interest expense on convertible bonds	7	169	–
Operating loss before working capital changes		(2,827)	(17,677)
(Increase)/Decrease in trade and other receivables		(1,251)	2,803
(Decrease)/Increase in trade payables		(2,623)	11,744
Increase/(Decrease) in other payables, accrued expenses and receipts in advance		2,239	(231)
Decrease in amount due to a related company		(71)	(489)
Net cash used in operating activities		(4,533)	(3,850)
Cash flows from investing activities			
Interest received	6	79	58
Proceed from disposal of subsidiaries	33	309	(853)
Purchase of plant and equipment		(1,518)	(108)
Net cash used in investing activities		(1,130)	(903)
Cash flows from financing activities			
Proceeds from shares issued under share option scheme		3,283	–
Proceeds from issuance of new shares		20,300	–
Proceeds from issuance of convertible bonds		14,700	–
Share issue expenses		(1,431)	–
Net cash generated from financing activities		36,852	–
Net increase/(decrease) in cash and cash equivalents		31,189	(4,753)
Cash and cash equivalents at 1 January		2,563	7,316
Cash and cash equivalents at 31 December		33,752	2,563
Analysis of cash and cash equivalents			
– Cash at banks and in hand	20	33,752	2,563

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Equity attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Employee compensation reserve	Translation reserve	Convertible bonds equity reserve	Accumulated losses	Total	Minority Interest	Total equity/ (capital deficiency)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2005 and 1 January 2006	507	9,218	(510)	3,937	(90)	–	(6,098)	6,964	(2,698)	4,266
Loss for the year	–	–	–	–	–	–	(14,169)	(14,169)	–	(14,169)
Total recognised income and expense for the year	–	–	–	–	–	–	(14,169)	(14,169)	–	(14,169)
Disposal of a subsidiary	–	–	–	–	204	–	–	204	2,698	2,902
Share options forfeited	–	–	–	(154)	–	–	154	–	–	–
At 31 December 2006 and 1 January 2007	**507**	**9,218**	**(510)**	**3,783**	**114**	**–**	**(20,113)**	**(7,001)**	**–**	**(7,001)**
Profit for the year	–	–	–	–	–	–	1,529	1,529	–	1,529
Total recognised income and expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**1,529**	**1,529**	**–**	**1,529**
Disposal of subsidiaries	–	–	183	–	(114)	–	–	69	–	69
Proceeds from issuance of shares	2,900	17,400	–	–	–	–	–	20,300	–	20,300
Share issue expenses	–	(1,431)	–	–	–	–	–	(1,431)	–	(1,431)
Proceeds from shares issued under share option scheme	6	5,024	–	(1,747)	–	–	–	3,283	–	3,283
Share options forfeited	–	–	–	(1,954)	–	–	1,954	–	–	–
Recognition of equity component of convertible bonds	–	–	–	–	–	1,700	–	1,700	–	1,700
Recognition of equity-settled share-based compensation	–	–	–	749	–	–	–	749	–	749
At 31 December 2007	**3,413**	**30,211**	**(327)**	**831**	**–**	**1,700**	**(16,630)**	**19,198**	**–**	**19,198**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

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 its registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands and its 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 (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. The activities of its principal activities are set out in note 16 to the consolidated financial statements.

Pursuant to a special resolution passed at the Extra-ordinary General Meeting held on 12 October 2007, the name of the Company was changed from "Jessica Publications Limited" to "Honbridge Holdings Limited".

The consolidated financial statements of the Group on pages 28 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 consolidated 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 consolidated financial statements for the year ended 31 December 2007 were approved for issue by the board of directors on 1 February 2008.

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations issued by the HKICPA, which are effective for the Group's financial statements beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments : Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

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

2.1 HKAS 1 (Amendment) – Capital Disclosures

In accordance with the HKAS 1 (Amendment) – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change are detailed in note 35.

2.2 HKFRS 7 – Financial Instruments : Disclosures

HKFRS 7 – Financial Instruments : Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its consolidated financial statements for the year ended 31 December 2007. All disclosures relating to financial instruments including the comparative information have been updated to reflect the new requirements. In particular, the Group's consolidated financial statements now feature:

– a sensitive analysis explained the Group's market risk exposure in regard to its financial instruments, and

– a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net income or balance sheet items.

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

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The Directors of the Company is currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's consolidated financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 11	Group and Treasury Share Transactions[2]
HK(IFRIC) – Int 12	HKFRS 2 – Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008

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 on the historical cost basis. 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.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully 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 on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

3.4 Foreign currency translation

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

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

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

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

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

3.5 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 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 and 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 3.10).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets and 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 is included in the determination of the amount of gain or loss on disposal.

3.7 Other intangible asset

Other intangible asset represents trademarks. For separately acquired other intangible assets, they are initially recognised at cost. After initial recognition, other intangible assets with indefinite useful lives are carried at cost less subsequent accumulated impairment losses. Other intangible assets are tested for impairment as described below in note 3.10.

3.8 Borrowing costs

All borrowing costs are expensed when incurred.

3.9 Plant and equipment

Plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Depreciation on plant and equipment is provided to write off the cost over their estimated useful lives, using the straight-line method, at 20% per annum.

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

3.10 Impairment of assets

Goodwill arising on an acquisition of subsidiaries, other intangible assets, plant and equipment and interests in subsidiaries are subject to impairment testing.

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

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

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). 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. 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.

Interim financial reporting and impairment

Under the GEM Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 – Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year.

Impairment loss recognised in an interim period in respect of goodwill is not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

3.11 Leases

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

Operating lease charges as the lessee

Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

3.12 Financial assets

The Group's financial assets include trade receivables, other receivables, cash and cash equivalents and investment in subsidiaries.

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

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

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus any directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of 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. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less 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. The Group's trade and most other receivables fall into this category of financial instruments.

Impairment of loans and receivables

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

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

3.13 Accounting for income taxes

Income tax comprises current tax and deferred tax

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

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

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

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

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

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

3.14 Cash and cash equivalents

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

3.15 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.

3.16 Retirement benefit costs and short-term employee benefits

Defined contribution plan

Retirement benefits to employees are provided through several defined contribution plans. For details of the retirement benefits schemes, please refer to note 31 to the consolidated financial statements.

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 contributions recognised in respect of 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.

Retirement benefits scheme

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

Short-term employee benefits

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

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

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

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.

3.18 Financial liabilities

The Group's financial liabilities include trade payables, other payables, amount due to a related company and convertible bonds. They are included in balance sheet as "Trade payables", "Other payables, accrued expenses and receipts in advance", "Amount due to a related company" and "Convertible bonds".

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

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

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

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 bond equity reserve.

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

When the bond is converted, the convertible bond 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 bond equity reserve is released directly to accumulated losses.

Trade and other payables

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

3.19 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 can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

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

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

3.20 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format. No further business segment information is presented as the Group's operation relates solely to magazine publishing and advertising activities.

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

Segment assets consist of goodwill, other intangible asset, plant and equipment, trade receivables, other receivables, cash and cash equivalents. Segment liabilities comprise trade payables, other payables, accrued expenses, receipts in advance and amount due to a related company.

Capital expenditure comprises additions to plant and equipment.

3.21 Related parties

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

– controls, is controlled by, or is under common control with, the Company or the Group;

– has an interest in the Company that gives it significant influence over the Company or the Group;

– has joint control over the Company or the Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

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

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 receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of receivables at the balance sheet date.

(ii) Valuation of share option granted

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

(iii) Valuation of convertible bonds

On initial recognition date, the fair value of convertible bonds that are not traded in an active market is determined by using discounted cash flow method. The Group uses its judgement to make assumptions that are mainly based on market conditions existing at the issue date. Details of the key assumptions are disclosed in note 23.

(iv) Depreciation on plant and equipment

The Group depreciates its plant and equipment on a straight-line method over their estimated useful lives of five years, i.e. 20% per annum. The estimated useful lives reflect the directors' estimate of the period that the Group will derive future economic benefits from the use of the Group's plant and equipment.

5. REVENUE

Revenue, which is also the Group's turnover, represents amounts received or receivable for magazines sold by the Group to outside customers, less returns and allowances, advertising income and promotion and marketing income for the year, and is analysed as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Sale of magazines	9,575	20,470
Advertising income	43,783	52,268
Promotion and marketing income	14,485	10,726
	67,843	83,464

6. OTHER OPERATING REVENUE

	2007	**2006**
	HK$'000	*HK$'000*
Bank interest income	79	58
Sundry income	113	201
	192	259

7. FINANCE COST

	2007	**2006**
	HK$'000	*HK$'000*
Imputed interest on convertible bonds	169	–

8. SEGMENT INFORMATION

Geographical segments

The geographical locations of the Group's customers are the basis on which the Group reports its primary segment information. The following tables present revenue, asset, liabilities and expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

Year ended 31 December 2007

	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue	61,682	6,161	67,843
Segment results	1,704	(4,826)	(3,122)
Other operating revenue			192
Other operating income, net			4,628
Finance cost			(169)
Profit for the year			1,529
Segment assets	41,759	–	41,759
Segment liabilities	(9,392)	–	(9,392)
Unallocated liabilities			(13,169)
Total liabilities			(22,561)
Other information			
Depreciation	285	–	285
Impairment and written-off of receivables	36	816	852
Capital expenditure	1,518	–	1,518

Year ended 31 December 2006

	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue	66,540	16,924	83,464
Segment results	738	(13,151)	(12,413)
Other operating revenue			259
Other operating expenses, net			(2,015)
Loss for the year			(14,169)
Segment assets	21,079	149	21,228
Segment liabilities	(23,994)	(4,235)	(28,229)
Other information			
Depreciation	307	174	481
Impairment and written off of receivables	(31)	5,977	5,946
Impairment of plant and equipment	–	617	617
Capital expenditure	81	27	108

Business segments

No business segment information is presented as the Group's operation relates solely to the magazine publishing and advertising activities.

9. PROFIT/(LOSS) BEFORE INCOME TAX

	2007	2006
	HK$'000	*HK$'000*
Profit/(loss) before income tax is arrived at after charging/(crediting):		
Auditors' remuneration	350	300
Depreciation on plant and equipment	285	481
Exchange loss	162	212
Other operating income:		
– Gain on disposal of subsidiaries *(note 33)*	(5,480)	(4,548)
Other operating expense:		
– Impairment and written-off of receivables	852	5,946
– Impairment of plant and equipment	–	617
Other operating (income)/expense, net	(4,628)	2,015
Minimum lease payments paid under operating leases in respect of rental premises	283	766

10. INCOME TAX EXPENSE

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

For the year ended 31 December 2006, no Hong Kong profits tax had been provided as the Group had no estimated assessable profit arising in or 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.

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

	2007	**2006**
	HK$'000	*HK$'000*
Profit/(loss) before income tax	1,529	(14,169)
Tax on profit/(loss) before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	279	(4,053)
Tax effect of non-deductible expenses	1,502	4,247
Tax effect of non-taxable revenue	(1,207)	(9)
Tax effect of prior years' unrecognised tax losses utilised this year	(534)	(393)
Tax effect of unrecognised tax losses	–	172
Tax effect on temporary difference not recognised	(40)	36
Income tax expense	–	–

11. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to the equity holders of the Company of HK$1,529,000 (2006: loss of HK$14,169,000), a loss of HK$2,820,000 (2006: a loss of HK$255,000) has been dealt with in the financial statements of the Company.

12. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity holders of the Company of HK$1,529,000 (2006: loss of HK$14,169,000) and on the weighted average of approximately 1,120,782,000 (2006: 506,639,716) ordinary shares in issue during the year.

(b) Diluted earnings/(loss) per share

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

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

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

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

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

For the year ended 31 December 2006, no diluted loss per share has been presented because the exercise price of the Company's share options was higher than the average market price per share for that year.

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2007	**2006**
	HK$'000	*HK$'000*
Wages and salaries	17,040	21,436
Share-based payment	749	–
Pension costs – defined contribution plans	638	616
	18,427	22,052

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

	2007	**2006**
	HK$'000	*HK$'000*
Short-term employee benefits	3,822	4,455
Post-employment benefits	63	102
Equity compensation benefits	706	–
	4,591	4,557

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT

(a) Directors' emoluments

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

	Date of appointment/resignation	**Fees**	**Salaries and allowances**	**Contribution to defined contribution plan**	**Equity-settled share-based payment expenses**	**Total**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2007						
Executive directors						
HE Xuechu	Appointed on 16 October 2007	152	–	1	–	153
LIU Wei William	Appointed on 16 October 2007	172	–	1	353	526
SHI Lixin	Appointed on 16 October 2007	152	–	–	353	505
NG Hung Sang	Resigned on 16 October 2007	–	–	–	–	–
NG Yuk Fung Peter	Resigned on 16 October 2007	8	466	10	–	484
FOO Kit Tak	Resigned on 28 May 2007	–	157	5	–	162
CHEUNG Mei Yu	Resigned on 2 April 2007	–	153	8	–	161
Non-executive director						
NG Yuk Mui Jessica	Resigned on 16 October 2007	8	–	–	–	8
Independent non-executive directors						
MA Gang	Appointed on 16 October 2007	25	5	–	–	30
CHAN Chun Wai Tony	Appointed on 16 October 2007	25	–	–	–	25
FOK Hon	Appointed on 16 October 2007	25	–	–	–	25
SO Siu Ming George	Resigned on 16 October 2007	40	–	–	–	40
PONG Oi Lan Scarlett	Resigned on 16 October 2007	40	–	–	–	40
CHENG Yuk Wo	Resigned on 16 October 2007	40	–	–	–	40
		687	781	25	706	2,199

	Fees	Salaries and allowances	Contribution to defined contribution plan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2006				
Executive directors				
NG Hung Sang	–	–	–	–
NG Yuk Fung Peter	10	510	12	532
FOO Kit Tak	–	409	12	421
CHEUNG Mei Yu	–	617	30	647
Non-executive director				
NG Yuk Mui Jessica	10	–	–	10
Independent non-executive directors				
SO Siu Ming George	50	–	–	50
PONG Oi Lan Scarlett	50	–	–	50
CHENG Yuk Wo	40	–	–	40
	160	1,536	54	1,750

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. (2006: Nil)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2006: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2006: four) individuals during the year are as follows:

	2007	2006
	HK$'000	*HK$'000*
Basic salaries, housing allowances, share options, other allowances and benefits in kind	2,354	2,759
Pension cost- defined contribution plans	38	48
	2,392	2,807

The emoluments fell within the following band:

	Number of individuals	
	2007	2006
Emolument band		
HK$ nil – HK$1,000,000	4	4

During the year, no emoluments were paid by the Group to the directors or the four (2006: four) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. PLANT AND EQUIPMENT

GROUP

	Leasehold improvements *HK$'000*	Furniture and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 1 January 2006				
Cost	790	1,820	87	2,697
Accumulated depreciation	(392)	(746)	(15)	(1,153)
Net book amount	398	1,074	72	1,544
Year ended 31 December 2006				
Opening net book amount	398	1,074	72	1,544
Additions	–	108	–	108
Depreciation	(143)	(326)	(12)	(481)
Impairment loss	(193)	(364)	(60)	(617)
Closing net book amount	**62**	**492**	**–**	**554**
At 31 December 2006				
Cost	486	1,130	–	1,616
Accumulated depreciation and impairment	(424)	(638)	–	(1,062)
Net book amount	**62**	**492**	**–**	**554**
Year ended 31 December 2007				
Opening net book amount	62	492	–	554
Additions	917	601	–	1,518
Depreciation	(96)	(189)	–	(285)
Disposal of subsidiaries	(22)	(472)	–	(494)
Closing net book amount	**861**	**432**	**–**	**1,293**
At 31 December 2007				
Cost	898	455	–	1,353
Accumulated depreciation	(37)	(23)	–	(60)
Net book amount	**861**	**432**	**–**	**1,293**

COMPANY

	Leasehold improvements *HK$'000*	Furniture and office equipment *HK$'000*	Total *HK$'000*
At 1 January 2006, 31 December 2006 and 1 January 2007			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net book amount	–	–	–
Year ended 31 December 2007			
Opening net book amount	–	–	–
Additions	898	142	1,040
Depreciation	(37)	(6)	(43)
Closing net book amount	**861**	**136**	**997**
At 31 December 2007			
Cost	898	142	1,040
Accumulated depreciation	(37)	(6)	(43)
Net book amount	**861**	**136**	**997**

16. INTEREST IN A SUBSIDIARY/AMOUNT DUE FROM A SUBSIDIARY

COMPANY

	2007 *HK$'000*	**2006** *HK$'000*
Unlisted shares, at cost	12,266	510
Less: Impairment loss recognised	(5,000)	–
	7,266	510
Amount due from a subsidiary	–	8,910
Less: Impairment losses recognised	–	(5,000)
	–	3,910

During the year, the directors reviewed the carrying value of the investment in a subsidiary with reference to the business operated by the subsidiary. Impairment loss of HK$5,000,000 (2006: Nil) has been identified and recognised in the Company's income statement.

Particulars of the principal subsidiaries at 31 December 2007 are as follows:

Name of subsidiary	Place of incorporation and kind of legal entity	Particulars of issued share capital	Percentage of issued capital held by the Company		Principal activities
			Directly	*Indirectly*	
Great Ready Assets Limited	British Virgin Islands, limited liability company	3 ordinary shares of US$1 each	100%	–	Investment holding
Beforward Trading Limited	British Virgin Islands, limited liability company	2 ordinary shares of US$1 each	–	100%	Investment holding
Jessicacode Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Publication of "味道JESSICACODE" magazine
Honbridge Management Limited (formerly known as Jessica 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
Superb Taste Company Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Publication of "味道LISA" magazine

The above table lists the subsidiaries of the Group, 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.

17. GOODWILL

GROUP

	2007 *HK$'000*	2006 *HK$'000*
At 1 January		
Gross carrying amount	–	3,933
Accumulated impairment losses	–	–
Carrying amount	–	3,933
Carrying amount at 1 January	–	3,933
Disposal of a subsidiary	–	(3,933)
Carrying amount at 31 December	–	–
At 31 December		
Gross carrying amount	–	–
Accumulated impairment losses	–	–
Carrying amount	–	–

18. OTHER INTANGIBLE ASSET

GROUP

	2007 *HK$'000*	2006 *HK$'000*
Trademarks		
At 1 January		
Gross carrying amount	19	19
Accumulated impairment losses	–	–
Carrying amount	19	19
Net carrying amount at 1 January	19	19
Disposal of subsidiaries *(note 33)*	(19)	–
Net carrying amount at 31 December	–	19
At 31 December		
Gross carrying amount	–	19
Accumulated impairment losses	–	–
Carrying amount	–	19

19. TRADE RECEIVABLES

GROUP

	2007	**2006**
	HK$'000	*HK$'000*
Trade receivables	5,857	19,044
Less: Impairment of receivables	(443)	(1,387)
Trade receivables – net	5,414	17,657

Impairment losses in respect of trade 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:

	2007	**2006**
	HK$'000	*HK$'000*
At 1 January	1,387	1,793
Amount written off	(171)	–
Impairment loss and allowances charged/(reversed) to the income statement	735	(31)
Disposal of subsidiaries	(1,508)	(375)
At 31 December	443	1,387

At each of the balance sheet date, the Group's trade 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 receivables at the balance sheet date:

	2007	**2006**
	HK$'000	*HK$'000*
0 – 30 days	2,342	5,509
31 – 60 days	1,622	3,373
61 – 90 days	174	484
91 to 180 days	1,243	5,771
Over 180 days	33	2,520
	5,414	17,657

The ageing analysis of trade receivables that are not impaired is as follows:

	2007	2006
	HK$'000	*HK$'000*
Neither past due nor impaired	2,462	5,554
1 – 90 days past due	2,430	6,767
91 – 180 days past due	495	3,383
Over 180 days past due	27	1,953
	2,952	12,103
	5,414	17,657

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

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 been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not held any collateral over these balances.

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2007	2006
	HK$'000	*HK$'000*
GROUP		
Cash at banks and in hand	33,752	2,563

	2007	2006
	HK$'000	*HK$'000*
COMPANY		
Cash at banks and in hand	31,331	21

As at 31 December 2007, the Group does not have any bank and cash balances denominated in Renminbi ("RMB").

Included in bank and cash balances of the Group as at 31 December 2006 was HK$16,000 of bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. 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 banks that are authorised to conduct foreign exchange business.

21. TRADE PAYABLES

GROUP

	2007	2006
	HK$'000	*HK$'000*
Trade payables	5,375	21,981

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

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	511	435
31 – 60 days	1,172	4,463
61 – 90 days	1,394	3,480
91 – 180 days	1,448	10,006
Over 180 days	850	3,597
	5,375	21,981

22. AMOUNT DUE TO A SUBSIDIARY

The amount due is unsecured, interest-free and repayable on demand (2006: Nil).

23. CONVERTIBLE BONDS

GROUP AND COMPANY

	2007	2006
	HK$'000	*HK$'000*
Convertible bonds	13,169	–

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

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

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

The carrying amount of the convertible bonds is denominated in Hong Kong dollars.

At 31 December 2007, the convertible bonds were repayable as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	–	–
In the second year	13,169	–

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

	2007	2006
	HK$'000	*HK$'000*
Fair value of convertible bond	14,700	–
Equity component	(1,700)	–
Liability component on initial recognition	13,000	–
Imputed interest expense	169	–
Liability component at 31 December	13,169	–

The fair value of the liability component of the convertible bonds at 31 December 2007 amounted to HK$13,300,000 (2006: Nil). The fair value is calculated using cash flows discounted at a rate based on the estimated discount rate of 5.74%.

Interest expense of HK$169,000 (2006: Nil) has been recognised in the income statement in respect of the convertible bonds for the year ended 31 December 2007, using the effective interest method by applying effective interest rate of 6.34% to the liability component.

24. SHARE CAPITAL

	2007	2006
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000,000 (2006: 1,000,000,000,000) ordinary shares of HK$0.001 each	1,000,000	1,000,000

	Number of shares	Total
		HK$'000
Issued and fully paid:		
At 1 January 2006, 31 December 2006 and 1 January 2007	506,639,716	507
Issue of shares during the year *(note i)*	2,900,000,000	2,900
Employee share option scheme – proceeds from share issued *(note ii)*	6,080,000	6
At 31 December 2007	3,412,719,716	3,413

Notes:

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

(ii) During the year, the issued share capital of the Company was increased due to the exercise of share options by the employees of the Company and other parties. Details of the share options exercised during the year are summarised in note 25.

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

25. SHARE-BASED EMPLOYEE COMPENSATION

The Company's share option scheme (the "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 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 Scheme, without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the 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 Scheme as incentive or rewards for their contribution to the Group, the board proposed to refresh the scheme mandate limit of the Scheme.

An extraordinary general meeting of the Company was held on 12 October 2007 and the above refreshment of the scheme mandate limit of the Scheme was approved by the independent shareholders.

At 31 December 2007, the number of shares in respect of which options were granted under the Scheme was 21,440,000 (2006: 13,413,440), representing 0.6% (2006: 2.6%) of the shares of the Company in issue at that date. As at 31 December 2007, the total number of shares available for issue under the Scheme was 29,831,972 (2006: 37,074,707), representing approximately 0.9% (2006: 7.3%) of the issued share capital of the Company as at 31 December 2007 and the date of this Annual Report.

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

During the year ended 31 December 2007 :

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

During the year ended 31 December 2006:

		Number of share options		
Name or category of participant	**Share option type**	**Outstanding at 1 January 2006**	**Forfeited during the year**	**Outstanding at 31 December 2006**
Executive director				
FOO Kit Tak	2002 (a)	1,600,000	–	1,600,000
	2002 (b)	1,600,000	–	1,600,000
CHEUNG Mei Yu	2002 (a)	1,600,000	–	1,600,000
	2002 (b)	1,600,000	–	1,600,000
Sub-total		6,400,000	–	6,400,000
Employees				
In aggregate	2002 (a)	1,600,000	–	1,600,000
	2002 (b)	2,080,000	(320,000)	1,760,000
Sub-total		3,680,000	(320,000)	3,360,000
Others				
In aggregate	2002 (a)	2,960,000	(160,000)	2,800,000
	2002 (b)	1,013,440	(160,000)	853,440
Sub-total		3,973,440	(320,000)	3,653,440
Total		**14,053,440**	**(640,000)**	**13,413,440**

Details of the share options are as follows:

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

Notes:

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

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

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

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

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

(iv) The share options exercised during the year resulted in an equal number of ordinary shares (see also note 24).

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

Date of grant	15 April 2002	2 September 2002	22 November 2007
Expected volatility	29%	56%	20%
Expected life (in years)	9.7	9.4	2.5
Risk-free interest rate	5%	5%	2%
Expected dividend yield	Nil	Nil	Nil

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

(vi) For the year ended 31 December 2007, employee compensation expense of HK$749,000 has been included in the consolidated income statement (2006: Nil), with a corresponding credit in employee compensation reserve. No liabilities were recognised due to share-based payment transactions.

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

	2007		2006	
	Number	Weighted average exercise price *HK$*	Number	Weighted average exercise price *HK$*
Outstanding at 1 January	13,413,440	0.53	14,053,440	0.52
Granted	21,200,000	1.20	–	–
Exercise	(6,080,000)	0.54	–	–
Forfeited	(7,093,440)	0.51	(640,000)	0.41
Outstanding at 31 December	21,440,000	1.19	13,413,440	0.53

The options outstanding at 31 December 2007 had exercise prices of HK$0.69 or HK$1.20 (2006: HK$0.69, HK$0.31 or HK$1.20) and a weighted average remaining contractual life of 4.9 years (2006: 5.4 years).

26. RESERVES

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 32 of the consolidated financial statements.

COMPANY

	Share premium *HK$'000*	Employee compensation reserve *HK$'000*	Convertible bonds equity reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 31 December 2005 and 1 January 2006	9,218	3,937	–	(9,529)	3,626
Loss for the year	–	–	–	255	255
Share option forfeited	–	(154)	–	154	–
At 31 December 2006 and 1 January 2007	9,218	3,783	–	(9,120)	3,881
Proceeds from issuance of shares	17,400	–	–	–	17,400
Share issue expenses	(1,431)	–	–	–	(1,431)
Proceeds from shares issued under share option scheme	5,024	(1,747)	–	–	3,277
Share options forfeited	–	(1,954)	–	1,954	–
Recognition of equity component of convertible bonds	–	–	1,700	–	1,700
Loss for the year	–	–	–	(2,820)	(2,820)
Recognition of equity–settled share–based compensation	–	749	–	–	749
At 31 December 2007	30,211	831	1,700	(9,986)	22,756

27. DEFERRED TAX

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2006: 17.5%).

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

	Accelerated tax depreciation *HK$'000*	**Tax losses** *HK$'000*	**Total** *HK$'000*
At 31 December 2005 and 1 January 2006	73	(73)	–
Charge/(credit) to income statement	(36)	36	–
At 31 December 2006 and 1 January 2007	37	(37)	–
Charge/(credit) to income statement	46	(46)	–
At 31 December 2007	83	(83)	–

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

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 2007, the Group has unused tax losses of HK$763,000 (2006: HK$3,617,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$474,000 (2006: HK$211,000) of such losses which equal the taxable temporary differences relating to accelerated tax depreciation. No deferred tax asset has been recognised in respect of the remaining HK$289,000 (2006: HK$3,406,000) due to the unpredictability of future profit streams. This tax loss has no expiry date.

28. OPERATING LEASE COMMITMENTS

GROUP

At 31 December 2007, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2007 *HK$'000*	**2006** *HK$'000*
Within one year	329	141
In the second to fifth year inclusive	164	–
	493	141

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 2007 and 2006.

29. CAPITAL COMMITMENTS

The Group and the Company did not have any significant capital commitments as at 31 December 2007 and 2006.

30. CONTINGENT LIABILITIES

GROUP

As at 31 December 2007 and 2006, the Group has no significant contingent liabilities.

COMPANY

As at 31 December 2007, the Company has no significant contingent liabilities.

As at 31 December 2006, the Company provided a corporate guarantee to a bank to secure a banking facility of HK$1,000,000 granted to a subsidiary, which remained unused as at 31 December 2006.

31. 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 income statement represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

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

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

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. The amount of forfeited contributions utilised in this manner during the year was HK$66,000 (2006: HK$55,000). There was no significant amount of forfeited contributions available to reduce future contribution payable by the Group as at 31 December 2007 and 2006.

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.

32. RELATED PARTY TRANSACTIONS

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

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

(1)

		2007	2006
		HK$'000	*HK$'000*
(i)	Purchase of services – Management fee	360	720
(ii)	Operating lease expenses	223	283
(iii)	Colour separation and photo processing fees	430	783
(iv)	Royalty income	77	25

(2) As at 31 December 2007, the Group does not have any outstanding payable to related companies.

As at 31 December 2006, as disclosed in the notes to the consolidated balance sheet, the Group had outstanding payable to a related company of HK$71,000. The balance was unsecured, interest-free and repayable on demand.

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

(4) An agreement dated 21 December 2006 entered into among the Company as the purchaser, South China Strategic Limited ("SCS"), a wholly owned subsidiary of South China Industries Limited ("SCI"), as the vendor, and SCI, a subsidiary of South China Holdings Limited, as the guarantor, pursuant to which SCS had conditionally agreed to sell the projects relating to the agricultural businesses in the PRC to the Company at a consideration of HK$140,000,000. The consideration would be satisfied by the Company's issuance a convertible note. Subsequently, a termination agreement dated 27 December 2006 was entered into among the aforesaid contracting parties to terminate the aforesaid agreement.

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

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

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

(b) The Group occupies the office premises at Suite 2703, 27th Floor, Great Eagle Centre, 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.

33. DISPOSAL OF SUBSIDIARIES

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

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

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

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

(b) For the year ended 31 December 2006, the Group disposed 55% equity interest in Shanghai South China & Boyang Culture Media Co. Ltd. ("BCM"). Particulars of the disposal are as follows:

	2006
	HK$'000
Net liabilities disposed of :	
Trade and other receivables	1,784
Cash at banks	53
Other intangible assets	19
Trade and other payables	(11,779)
Amounts due to immediate holding company and a fellow subsidiary of BCM	(10,160)
Amount due to minority shareholder of BCM	(2,241)
	(22,324)
Minority interest	2,698
	(19,626)
Goodwill previously recognised	3,933
Realisation of translation reserve	204
Other intangible assets retained to the Group	(19)
Impairment of amounts due from BCM	10,160
Gain on disposal of a subsidiary	4,548
Cash consideration paid in connected with the disposal	(800)
The analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follow :	
Cash at banks disposed of	(53)
Cash consideration paid	(800)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(853)

34. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's risk management is coordinated at its headquarter, in close monitor with the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

34.1 Currency risk

Currency risk to the Group is minimal as most of the Group's transactions are carried out in Hong Kong dollars. All businesses in the Mainland China that are exposed to higher currency risk have been disposed of during the year.

34.2 Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate.

34.3 Other price risk

The Company is exposed to other price risk in respect of its investment in subsidiaries. The sensitivity to price risk in regards to the investment in subsidiaries cannot be reliably determined due to numerous uncertainties regarding the future development of these subsidiaries.

34.4 Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2007	**2006**
	HK$'000	*HK$'000*
Classes of financial assets – carrying amounts		
Cash and cash equivalents	33,752	2,563
Trade receivables	5,414	17,657
Other receivables	1,300	435
	40,466	20,655

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 all the above 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 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.

34.5 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-today 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.

As at 31 December 2007 and 31 December 2006, the Group's financial liabilities have contractual maturities which are summarised below:

	Within 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2007				
Convertible bonds	–	–	–	13,169
Trade payables	4,000	1,375	–	–
	4,000	1,375	–	13,169
At 31 December 2006				
Trade payables	15,871	6,110	–	–

34.6 Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2007 and 2006 may be categorised as follows. See notes 3.12 and 3.18 for explanations about how the category of financial instruments affects their subsequent measurement.

(i) Financial assets

	2007	**2006**
	HK$'000	*HK$'000*
Cash and cash equivalents	33,752	2,563
Loans and receivables:		
Trade receivables	5,414	17,657
Other receivables	1,300	435
	6,714	18,092
	40,466	20,655

(ii) Financial liabilities

Financial liabilities at amortised cost:

	2007 *HK$'000*	2006 *HK$'000*
Current liabilities		
Trade payables	5,375	21,981
Other payables	1,486	1,829
Amount due to a related company	–	71
	6,861	23,881
Non-current liabilities		
Convertible bonds	13,169	–

35. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern;

(ii) to provide an adequate return to shareholders;

(iii) to support the Group's sustainable growth; and

(iv) to provide capital for the purpose of potential mergers and acquisitions.

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 sell assets to reduce debt.

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

	2007 *HK$'000*	2006 *HK$'000*
Capital		
Total equity/(capital deficiency)	19,198	(7,001)
Convertible bonds – equity components	(1,700)	–
	17,498	(7,001)
Overall financing		
Convertible bonds – equity and liability components	14,869	–
Capital-to-overall financing ratio	1.18	N/A

36. COMPARATIVE

Certain comparatives are reclassified during the year to conform current year's presentation.

I. WORKING CAPITAL

The Directors are of the opinion that, having regard to the financial resources available to the Enlarged Group, including internally generated funds and shareholders' loan from Hong Bridge Capital Limited, the Enlarged Group will have sufficient working capital for its present requirements for the next twelve months from the date of this circular.

II. MATERIAL CHANGES

The Directors confirm that there was no material adverse change in the financial or trading position or prospects of the Group since 31 December 2007, the date to which the latest published audited accounts of the Group were made up.

III. INDEBTEDNESS

As at the close of business on 31 March 2008, being the latest practicable date for ascertaining information regarding this indebtedness statement, the Group had convertibles bonds liabilities of approximately HK$13.4 million.

As at the close of business on 31 March 2008, Kailun PV (Jining) had unsecured amount due to former minority equity holder of approximately HK$13,539,000, unsecured government loans of approximately HK$1,222,000 and unsecured other loans of approximately HK$3,800,000.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have any mortgages, charges or debentures, loan capital, bank overdrafts, loans or other similar indebtedness or any hire purchase commitments, liabilities under acceptances or acceptable credits or any guarantees or other contingent liabilities as at 31 March 2008.

IV. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS AND OPERATIONS OF THE GROUP

The following is the management discussion and analysis of the Group principally extracted from the annual reports of the Company for each of the three years ended 31 December 2005, 2006 and 2007.

i) For the year ended 31 December 2005

a) Financial Review

The Group made significant improvement both in revenue and result in 2005. For the year ended 31 December, the Group's turnover increased by 16.6% to HK$94.9 million, comprising HK$63.9 million from Hong Kong operations and HK$31 million from the PRC operation. Profit for the year attributable to the equity holders of the Company was HK$3.4 million, which consisted of profit from Hong Kong operations of HK$6.5 million and a loss of HK$2.9 million from the PRC operations. Earnings per share was HK$0.68 cent.

b) Liquidity and Financial Resources

As at 31 December 2005, the Group had net current assets of HK$1,000,000. The current assets comprised of bank balances and cash of HK$7.3 million together with trade and other receivables of HK$22.7 million. The current liabilities comprised of trade and other payables, accrued expenses and receipts in advance of HK$28.4 million and amount due to a related company of HK$0.6 million.

c) Capital Structure, Exposure to Exchange Rates Fluctuation and Charge of Assets

As at 31 December 2005, the Group had a banking facility granted under corporate guarantee by the Company in respect of a revolving term loan of HK$1 million, none of which had been utilized. The gearing ratio of the Group remained inapplicable as at 31 December 2005.

As at 31 December 2005, (i) the Group had no significant exposure to fluctuations in exchange rates and related hedges, (ii) the Group had no charges on its assets; and (iii) the Group had no significant investment held.

d) Material Acquisitions and Disposals and Significant Investments

During the year, the Group did not make any material acquisitions and disposals of subsidiaries and affiliated companies and investment during the year.

e) Segmental Information

The Group's Hong Kong operation achieved a turnover of HK$63.9 million in the year of 2005, representing a 13.7% increase on that of the year of 2004 and profit increased by 150% to HK$6.5 million.

The major contribution to the net result of 2005 comes from the significant growth in advertising revenues of our Hong Kong portfolio, recording a year-on-year growth of 19.4%, while our circulation position and cost structure remained largely unchanged.

The Group's PRC operations achieved a turnover of HK$31 million in the year of 2005, representing a 22.7% increase on that of the year of 2004, but continue to be loss-making.

f) Employees

As at 31 December 2005, the total number of employees of the Group was 158. Employees' costs (including directors' emoluments) amounted to HK$18.8 million for the year.

g) Contingent Liabilities

The Company had provided a corporate guarantee to a bank to secure a banking facility of HK$1,000,000 granted to a subsidiary, which remained unused as at 31 December 2005.

ii) For the year ended 31 December 2006

a) Financial Review

For the year ended 31 December 2006, the Group's turnover decreased by 12% to HK$83.4 million, comprising HK$66.5 million from Hong Kong operations and HK$16.9 million from the PRC operations. Loss for the year attributable to the equity holders of the Company was HK$14.2 million (2005: profit of HK$3.4 million), which consisted of profit from Hong Kong operations of HK$0.9 million and a loss of HK$15.1 million from the PRC operations.

b) Liquidity and Financial Resources

During the year ended 31 December 2006, the Group's operation was mainly financed by the internal financial resources of the Group.

As at 31 December 2006, the Group had net current liabilities of HK$7.6 million (2005: net current assets of HK$1 million). The current assets comprised bank balances and cash of HK$2.6 million together with trade and other receivables of HK$18 million. The current liabilities comprised trade and other payables, accrued expenses and receipts in advance of HK$28.1 million and amount due to a related company of HK$0.1 million.

c) Capital Structure, Exposure to Exchange Rates Fluctuation and Charge of Assets

As at 31 December 2006, the Group had aggregate banking facilities granted under corporate guarantee by the Company in respect of a revolving term loan of HK$1 million, none of which had been utilized. The gearing ratio of the Group remained inapplicable as at 31 December 2006.

As at 31 December 2006, (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.

The Board is of the opinion that, taking into account the internal financial resources of the Group and the financial support agreed to be provided by the substantial shareholder, the Group has sufficient working capital for its present requirements.

d) Material Acquisitions

An agreement dated 21 December 2006 entered into among the Company as the purchaser, South China Strategic Limited ("SCS"), a wholly-owned subsidiary of South China Industries Limited ("SCI"), as the vendor and SCI, a subsidiary of South China Holdings Limited, as the guarantor, pursuant to which SCS had conditionally agreed to sell the projects relating to the agricultural businesses in the PRC to the Company at a consideration of HK$140,000,000. The consideration would be satisfied by the Company's issuance a convertible note. Subsequently, a termination agreement dated 27 December 2006 was entered into among the aforesaid contracting parties to terminate the aforesaid agreement.

e) Segmental Information

The Group's Hong Kong operations achieved a turnover of HK$66.5 million in the year of 2006, representing a 4% increase on that of the year of 2005 and net profit decrease by 85% to HK$0.9 million. The decrease in net profit in the Hong Kong operations is largely attributable to the increase in marketing and printing costs resulting from circulation boost strategies. "旭茉JESSICACODE" saw strong advertising and circulation growth, while the revenue and cost structure of "味道LISA" remained largely unchanged.

The Group's PRC operations accounted for a turnover of HK$16.9 million in the year of 2006, representing a 45% decrease on that of the year of 2005, due to the adverse impact of restructuring and disposal of a subsidiary. 2006 recorded the full year results of "旭茉JESSICA" PRC version, as compared to only 4 months in 2005. The magazine continues to be in its investment period.

f) Employees

As at 31 December 2006, the total number of employees of the Group was 74. Employees' costs (including directors' emoluments) amounted to HK$22 million for the year.

g) Contingent Liabilities

The Company had provided a corporate guarantee to a bank to secure a banking facility of HK$1,000,000 granted to a subsidiary, which remained unused as at 31 December 2006.

iii) For the year ended 31 December 2007

a) Financial Review

For the year ended 31 December 2007, the Group's turnover decreased by 19% to HK$67.8 million. Compared to a loss of HK$14.2 million for the year 2006, the Group has turnaround to profit-making. Profit for the year attributable to the equity holders of the Company was HK$1.5 million, mainly due to the disposal of the loss-making PRC business. Disregard the share based payment of share options issued to employees amounting to HK$0.7 million recognised during the year, actual profit before share based payment for the year of the Group should be HK$2.2 million.

b) Liquidity and Financial Resources

During the year ended 31 December 2007, the Group's operation was mainly financed by the internal financial resources of the Group.

As at 31 December 2007, the Group had net current assets of HK$31.1 million (2006: net current liabilities of HK$7.6 million). The current assets comprised bank balances and cash of HK$33.8 million together with trade and other receivables of HK$6.7 million. The current liabilities comprised trade and other payables, accrued expenses and receipts in advance of HK$9.4 million.

c) Capital Structure, Exposure to Exchange Rates Fluctuation and Charge of Assets

As at 31 December 2007, the Group does not have any banking facilities (2006: HK$1.0 million). The gearing ratio of the Group remained inapplicable as at 31 December 2007.

As at 31 December 2007, (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.

d) Major Transactions

On 16 August 2007, the Company entered into a subscription agreement ("2007 Subscription") with Hong Bridge Capital Limited ("Hong Bridge") to subscribe in cash for (i) 2,900 million new shares of the Company at a subscription price of HK$0.007 per Share; and (ii) convertible notes of the Company in the principal amount of HK$14.7 million with an initial conversion price of HK$0.007 per Share. Subsequent to the 2007 Subscription, Hong Bridge became the controlling Shareholders of the Company. Hong Bridge is wholly owned by Mr. HE Xuechu, the Chairman of the Company.

On 16 August 2007, Great Ready Assets Limited, a wholly-owned subsidiary of the Company entered into a disposal agreement ("Disposal") with Win Gain Investments Limited, a company wholly owned by Mr. Ng Hung Sang, a former executive director of the Company to dispose of the entire issued share capital of Jessica Publications (BVI) Limited at a consideration of HK$1 million.

Details of the above transactions were set out in the Company's circular dated 14 September 2007. The 2007 Subscription and the Disposal had been completed on 16 October 2007.

On 16 October 2007, Hong Bridge entered into a placing agreement with an independent placing agent to place out 345,000,000 Shares of the Company to independent placees at the placing price of HK$0.7 per Share. Upon the completion of the placement, the Company continued to maintain the 25% minimum public float requirement under Rule 11.23 of the GEM Listing Rules.

On 20 November 2007, the Company and Hunan Non-ferrous Metals Holding Group Co. Ltd. entered into a co-operative agreement to set up a joint venture for the acquisition of a company principally engaged in the mining business.

e) Segmental Information

The Group's Hong Kong operations achieved a turnover of HK$61.7 million for 2007, representing a slight year on year 7% decrease compared to 2006. However, profit for the year has been increased by 131% to HK$1.7 million, which is mainly attributable to the growth in advertising income.

The Group's Mainland China operations accounted for a turnover of HK$6.2 million for 2007, representing a 64% decrease compared to 2006. Loss for the year has been reduced by 63% to HK$4.8 million, which is mainly due to the gradual divestment in the Mainland China magazine publication market.

At the year end, the Group has disposed all the magazine publication business in the Mainland China.

f) Employees

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

g) Contingent Liabilities

As at 31 December 2007, the Group did not have any significant contingent liabilities.

V. FINANCIAL AND TRADING PROSPECTS

The Directors believes that the magazine publication business will continue to generate stable income for the Group. Whilst continuing to operate the existing magazine publication business, the Group is also actively seeking business opportunities in the area of energy and resources. Upon completion of the Acquisition and the Subscription, Divine Mission will become a 60% subsidiary of the Company and the accounts of Divine Mission will be consolidated into that of the Group. The Directors believes that would enable the Company to invest into a company with potential rapid growth. It is expected that the consideration for the Subscription of US$8,000,000 (equivalent to HK$62,240,000 million) will be used by Kailun PV (Jining) to make investment to commence commercial production of 5N Silicon in Beijing in the second half of 2008 and to conduct research and development in order to achieve the technology standard to produce 6N Silicon.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, Grant Thornton, Certified Public Accountants, Hong Kong:

GrantThornton
均富

Member of Grant Thornton International Ltd

2 May 2008

The Directors
Honbridge Holdings Limited
Suite 2703
27th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

We set out below our report on the financial information of 濟寧凱倫光伏材料有限公司 ("Kailun PV (Jining)"), formerly known as 濟寧凱倫硅業有限公司, in Sections I and II below, including the balance sheets as at 31 December 2005, 2006 and 2007, income statements, cash flow statements and statements of changes in equity for the three years ended 31 December 2005, 2006 and 2007 (the "Relevant Periods") and the notes thereto, prepared for inclusion in the circular (the "Circular") dated 2 May 2008 issued by Honbridge Holdings Limited (the "Company") in connection with the proposed acquisition of 20% of the existing issued share capital of Divine Mission Holdings Limited ("Divine Mission") and 10% of the enlarged issued share capital of Divine Mission (the "Proposed Acquisition") and the proposed subscription of 10,000 new ordinary shares of Divine Mission (the "Proposed Subscription"), which represents 100% of the existing issued capital of Divine Mission and 50% of the enlarged issued share capital of Divine Mission. Upon completion of the Proposed Acquisition and Proposed Subscription thereafter, the effective interest of the Company in Divine Mission will be 60% and Divine Mission will indirectly own the entire equity interest of Kailun PV (Jining).

Kailun PV (Jining) is a sino-foreign incorporated in the People's Republic of China (the "PRC") on 19 March 2004 with limited liability with a registered capital of US$2,000,000 which has been fully paid up. The address of Kailun PV (Jining)'s registered office and principal place of business is Lineng Industrial Site of Zoucheng City, Shandong Province, the PRC. Kailun PV (Jining) is principally engaged in the production and sales of highly purified silicon and research and development in the production of Solar Silicon.

The financial statements of Kailun PV (Jining) for the three years ended 31 December 2005, 2006 and 2007 (collectively referred to as the "Underlying Financial Statements") were prepared in accordance with the relevant accounting principles and financial regulations applicable to the companies incorporated in the PRC. The financial statements of Kailun PV (Jining) for the years ended 31 December 2005, 2006 and 2007 were audited by Shan Dong Zhong Xin CPA Co. Ltd. (山東忠信會計師事務所有限公司) ("Zhong Xin"). Zhong Xin is member of the China Institute of Certified Public Accountants.

The financial information and the notes thereto for the Relevant Periods (the "Financial Information") as set out in this report has been prepared by the directors of Kailun PV (Jining) based on the Underlying Financial Statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). For the purpose of this report, we have examined the Financial Information and carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of Kailun PV (Jining) are responsible for the preparation of the Underlying Financial Statements and the Financial Information which give a true and fair view. The directors of the Company are responsible for the contents of the circular in which this report is included. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Kailun PV (Jining) as at 31 December 2005, 2006 and 2007 and of the results and cash flows of Kailun PV (Jining) for each of the Relevant Periods.

I. FINANCIAL INFORMATION

A. INCOME STATEMENTS

	Notes	2005 HK$'000	2006 HK$'000	2007 HK$'000
Revenue	5	4,639	4,574	28,940
Cost of sales		(9,355)	(5,008)	(31,491)
Gross loss		(4,716)	(434)	(2,551)
Other revenue	6	117	51	201
Selling and distribution costs		(2)	(6)	(441)
Administrative expenses		(631)	(1,566)	(1,984)
Other operating expenses		(6,807)	(1,311)	(462)
Operating loss		(12,039)	(3,266)	(5,237)
Finance cost	8	(109)	(465)	(1,024)
Loss before income tax	9	(12,148)	(3,731)	(6,261)
Income tax expense	10	–	–	–
Loss for the year		(12,148)	(3,731)	(6,261)

B. BALANCE SHEETS

	Notes	2005 HK$'000	2006 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	12	17,275	16,544	20,773
Land use rights	13	–	17,006	17,729
Deposits	14	1,929	4,012	–
		19,204	37,562	38,502
Current assets				
Inventories	15	5,459	2,022	3,701
Trade and bills receivables	16	1,942	–	275
Prepayment and other receivables	17	2,770	690	2,598
Cash and bank balances	18	3,164	856	873
		13,335	3,568	7,447
Current liabilities				
Trade and bills payables	19	5,178	2,290	2,694
Other payables, accrued expenses and receipts in advance	20	11,748	12,825	10,076
Amount due to minority equity holder	21	–	–	1,596
Amounts due to fellow subsidiaries	21	3,753	7,388	4,149
Amount due to former minority equity holder	22	–	–	6,936
Borrowings	23	8,654	4,000	3,517
		29,333	26,503	28,968
Net current liabilities		(15,998)	(22,935)	(21,521)
Total assets less current liabilities		3,206	14,627	16,981
Non-current liabilities				
Other payables		–	15,024	15,983
Amount due to former minority equity holder	22	–	–	6,936
Borrowings	23	–	–	745
		–	15,024	23,664
Net assets/(liabilities)		3,206	(397)	(6,683)
EQUITY				
Equity attributable to equity holders of Kailun PV (Jining)				
Paid in capital	24	15,893	15,893	15,893
Reserves		(12,687)	(16,290)	(22,576)
Total equity/(capital deficiency)		3,206	(397)	(6,683)

C. CASH FLOW STATEMENTS

	Notes	2005 HK$'000	2006 HK$'000	2007 HK$'000
Cash flows from operating activities				
Loss before income tax		(12,148)	(3,731)	(6,261)
Adjusted for:				
Interest income	6	(117)	(44)	(12)
Finance cost	8	109	465	1,024
Depreciation	9	105	1,556	1,989
Amortisation of land use rights	9	–	28	362
Write-down of inventories	9	2,294	–	–
Operating loss before working capital changes		(9,757)	(1,726)	(2,898)
(Increase)/decrease in inventories		(7,753)	3,437	(1,679)
(Increase)/decrease in trade and bills receivables		(1,942)	1,942	(275)
(Increase)/decrease in prepayment and other receivables		(1,795)	2,080	(1,908)
Increase/(decrease) in trade and bills payables		2,052	(2,888)	404
Increase/(decrease) in other payables, accrued expenses and receipts in advance		10,136	1,077	(2,749)
Increase in amount due to minority equity holder		–	–	1,596
Increase/(decrease) in amounts due to fellow subsidiaries		3,753	3,635	(3,239)
Net cash (used in)/generated from operating activities		(5,306)	7,557	(10,748)
Cash flows from investing activities				
Interest received		117	44	12
Deposits paid for acquisition of property, plant and equipment		(1,929)	(2,083)	–
Purchases of property, plant and equipment		(5,911)	(134)	(1,151)
Purchases of land use rights		–	(2,010)	–
Net cash used in investing activities		(7,723)	(4,183)	(1,139)

	Notes	2005 HK$'000	2006 HK$'000	2007 HK$'000
Cash flows from financing activities				
Interest paid		(109)	(465)	(1,024)
Increase in amount due to former equity holder		–	–	13,872
Drawdown of other loans		8,654	4,000	3,297
Repayment of other loans		(4,808)	(8,654)	(4,206)
Drawdown of government loans		–	–	1,171
Net cash generated from/(used in) financing activities		3,737	(5,119)	13,110
Net (decrease)/increase in cash and cash equivalents		(9,292)	(1,745)	1,223
Cash and cash equivalents at 1 January		12,456	3,164	856
Effect of foreign exchange rates, net		–	(563)	(1,206)
Cash and cash equivalents at 31 December		3,164	856	873
Analysis of cash and cash equivalents				
Cash on hand and at banks	*18*	2,789	856	873
Pledged short-term bank deposits	*18*	375	–	–
		3,164	856	873

D. STATEMENTS OF CHANGES IN EQUITY

	Paid in capital HK$'000	Exchange fluctuation reserve* HK$'000	Accumulated losses* HK$'000	Total equity/ (capital deficiency) HK$'000
At 1 January 2005	15,893	–	(539)	15,354
Loss for the year	–	–	(12,148)	(12,148)
Total recognised income and expense for the year	–	–	(12,148)	(12,148)
At 31 December 2005 and at 1 January 2006	15,893	–	(12,687)	3,206
Currency translation	–	128	–	128
Net income/(expense) recognised directly in equity	–	128	–	128
Loss for the year	–	–	(3,731)	(3,731)
Total recognised income and expense for the year	–	128	(3,731)	(3,603)
At 31 December 2006 and at 1 January 2007	15,893	128	(16,418)	(397)
Currency translation	–	(25)	–	(25)
Net income/(expense) recognised directly in equity	–	(25)	–	(25)
Loss for the year	–	–	(6,261)	(6,261)
Total recognised income and expense for the year	–	(25)	(6,261)	(6,286)
At 31 December 2007	15,893	103	(22,679)	(6,683)

* These reserve accounts comprise Kailun PV (Jining)'s reserves in the balance sheets.

II. NOTES TO THE FINANCIAL INFORMATION

1. Basis of Presentation

The Financial Information set out in this report 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") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and have been consistently applied throughout the Relevant Periods.

2. Adoption of New and Revised HKFRSs

For the purpose of preparing and presenting the Financial Information, Kailun PV (Jining) has adopted all the new and revised HKFRSs issued by the HKICPA that are effective for the Relevant Period, and have been adopted as at the beginning of the Relevant Periods.

Kailun PV (Jining) has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of Kailun PV (Jining) anticipate that the adoption of such HKFRSs will not result in material financial impact on the Financial Information for the Relevant Periods.

HKAS 1 (Revised)	Presentation of Financial Statements[4]
HKAS 23 (Revised)	Borrowing Costs[4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[5]
HKFRS 2 (Amended)	Share-based Payment – Amendments Relating to Vesting Conditions and Cancellations[4]
HKFRS 3 (Revised)	Business Combinations[5]
HKFRS 8	Operating Segments[4]
HK(IFRIC) – Int 11	Group and Treasury Share Transactions[1]
HK(IFRIC) – Int 12	Service Concession Arrangements[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]

Notes:

1. Effective for annual periods beginning on or after 1 March 2007
2. Effective for annual periods beginning on or after 1 January 2008
3. Effective for annual periods beginning on or after 1 July 2008
4. Effective for annual periods beginning on or after 1 January 2009
5. Effective for annual periods beginning on or after 1 July 2009

3. Summary of Significant Accounting Policies

3.1 Basis of preparation

The significant accounting policies that have been adopted in the preparation of the Financial Information are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The Financial Information has been prepared on the historical cost convention.

Kailun PV (Jining) incurred losses of HK$12,148,000, HK$3,731,000 and HK$6,261,000 for the years ended 31 December 2005, 2006 and 2007 respectively. In additional, Kailun PV (Jining) had net current liabilities of HK$15,998,000, HK$22,935,000 and HK$21,521,000 as at 31 December 2005, 2006 and 2007 respectively and net liabilities of HK$397,000 and HK$6,683,000 as at 31 December 2006 and 2007 respectively.

Notwithstanding this, the Financial Information has been prepared on a going concern basis on the assumption that Kailun PV (Jining) will continue to operate as a going concern. The going concern basis has been adopted on the basis that:

(i) the ultimate beneficiary owner of Kailun PV (Jining), being Mr. Liu Xiangmao will continue to provide financial support to Kailun PV (Jining) to meet Kailun PV (Jining)'s liabilities and commitments as and when they fall due from the date of this report up to 31 December 2008 or the date of completion of the Proposed Acquisition and the Proposed Subscription whichever is shorter;

(ii) fellow subsidiaries of Kailun PV (Jining) and an minority equity holder of Kailun PV (Jining) have undertaken not to demand repayment of debts due from Kailun PV (Jining) until such time when repayment will not affect Kailun PV (Jining)'s ability to repay other creditors in the normal course of business; and

(iii) pursuant to the Subscription Agreement, Divine Mission will indirectly make capital contribution to Kailun PV (Jining) in the amount of US$8,000,000 in cash upon completion of the Proposed Acquisition and the Proposed Subscription.

The Financial Information does not include any adjustments that would result from a failure of Kailun PV (Jining) to operate as a going concern. Should Kailun PV (Jining) be unable to continue in business as a going concern, adjustments would have to be made to reduce the value of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. These adjustments have not yet been reflected in the Financial Information.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. 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 Information, are disclosed in note 4.

3.2 Income and expense recognition

Revenue comprises the fair value for the sale of goods. Provided it is probable that the economic benefits will flow to Kailun PV (Jining) and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

– Sales 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; and

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

3.3 Foreign currencies translation

The financial statements of Kailun PV (Jining) are prepared in Renminbi ("RMB"), being the functional currency of Kailun PV (Jining). Foreign currency transactions are translated into the functional currency of Kailun PV (Jining) using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet retranslation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

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

In the Financial Information, the financial statements of Kailun PV (Jining) originally presented in a currency different from the Company presentation currency, have been converted into Hong Kong Dollars ("HK$"). Assets and liabilities have been translated into HK$ at the closing rate at the balance sheet date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the Relevant Periods provided that the exchange rates do not fluctuate significant. Any differences arising from this procedure have been dealt with separately in the exchange fluctuation reserve in equity. In the opinion of the directors of the Company, the presentation of the Financial Information of Kailun PV (Jining) in HK$ provides a more relevant information about the circular.

3.4 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any 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. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the expenditure of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line method to write off the cost of each item of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Buildings	20 years
Plant and machinery	5 and 10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

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

The gain or loss on disposal or retirement of an item of property, plant and equipment recognised in the income statement is the difference between the sales proceeds and the carrying amount of the relevant asset.

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

3.5 Land use rights

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

3.6 Impairment of assets

Land use rights, property, plant and equipment are subject to impairment testing.

All assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

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 is reversed in subsequent periods 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.

3.7 Financial assets

The financial assets of Kailun PV (Jining) include trade and bills receivables, other receivables, cash and bank balances.

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, Kailun PV (Jining) becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus any directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of 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. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less 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 loans and receivables

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

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

3.8 Inventories

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

3.9 Cash and bank balances

Cash and bank balances comprise cash at banks and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less bank overdrafts which are repayable on demand and form an integral part of Kailun PV (Jining)'s cash management.

3.10 Paid in capital

Paid in capital is classified as equity. This is determined using the proceeds from capital contributions made by the investors.

3.11 Financial liabilities

The financial liabilities of Kailun PV (Jining) include trade and bills payables, other payables, amount due to minority equity holder, amounts due to fellow subsidiaries, amount due to former equity holder and borrowings.

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

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

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

Trade and other payables

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

Borrowings

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

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

3.12 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit 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 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 is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

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

3.13 Employee benefits

Retirement benefits to employees are provided through a defined contribution plan.

The employees of Kailun PV (Jining) are required to participate in a central pension scheme operated by the local municipal government (the "Scheme"). Kailun PV (Jining) is required to contribute certain percentage of its payroll costs to the Scheme. The local municipal government undertakes to assume the retirement benefits obligation of all existing and future retired employees of Kailun PV (Jining). The only obligation of Kailun PV (Jining) with respect to the Scheme is to pay the ongoing required contributions under the Scheme mention above. The contributions are charged to the income statement as they become payable in accordance with the rules of the Scheme.

3.14 Segment reporting

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

3.15 Related parties

A party is considered to be related to Kailun PV (Jining) if:

(i) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, Kailun PV (Jining);
- has an interest in Kailun PV (Jining) that gives it significant influence over Kailun PV (Jining); or
- has joint control over Kailun PV (Jining);

(ii) the party is an associate of Kailun PV (Jining);

(iii) the party is a jointly-controlled entity in which Kailun PV (Jining) has joint control;

(iv) the party is a member of the key management personnel of Kailun PV (Jining) or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of Kailun PV (Jining), or of any entity that is a related party of Kailun PV (Jining).

4. Critical Accounting Estimates and Judgements

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

Kailun PV (Jining) makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to 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:

4.1 Impairment of assets

Kailun PV (Jining) assesses whether there are any indicators of impairment for assets at each reporting date. They are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management of Kailun PV (Jining) estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

4.2 Depreciation and amortisation

Kailun PV (Jining) depreciates the property, plant and equipment and amortises the land use rights in accordance with the accounting policies stated in notes 3.4 and 3.5 respectively. The estimated useful lives reflect the directors of Kailun PV (Jining)'s estimate of the periods that Kailun PV (Jining) intends to derive future economic benefits from the use of these assets.

4.3 Impairment of receivables

Kailun PV (Jining)'s management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management of Kailun PV (Jining) reassesses the impairment of receivables at the balance sheet date.

4.4 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 of Kailun PV (Jining) reassesses the estimations at the balance sheet dates.

4.5 Borrowings

Significant judgement is required in determining the timing of payment of borrowings. This estimate is based on the payment history and current Kailun PV (Jining)'s conditions. Management of Kailun PV (Jining) reassesses the timing of the repayments of the borrowings at the balance sheet date.

5. Revenue

Revenue, which is also Kailun PV (Jining)'s turnover, represents the total invoiced value of goods sold, and is analysed as:

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Sales of goods	4,639	4,574	28,940

6. Other Revenue

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Bank interest income	117	44	12
Sundry income	–	7	189
	117	51	201

7. Segment Information

No separate analysis of segment information by business or geographical segments is presented as Kailun PV (Jining)'s sole business is the production and sales of highly purified silicon and research and development in the production of Solar Silicon, and Kailun PV (Jining)'s revenue, assets and capital expenditure are principally attributable to a single geographical region, which is the PRC.

8. Finance Cost

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Other borrowings wholly repayable within five years	109	465	1,024

9. Loss Before Income Tax

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Loss before income tax is arrived at after charging/(crediting):			
Cost of inventories sold	9,355	5,008	31,491
Depreciation	105	1,556	1,989
Amortisation of land use rights	–	28	362
Auditors' remuneration	2	3	3
Write-down of inventories	2,294	–	–
Research and development costs	–	–	462
Staff costs (including directors' remuneration – *note 11*)			
– Salaries and wages	1,778	916	2,489
– Retirement scheme contribution	1	11	12
	1,779	927	2,501

10. Income Tax Expense

No enterprise income tax has been provided as Kailun PV (Jining) had no estimated assessable profits arising in or derived from the PRC during the Relevant Periods.

In accordance with various approval documents issued by the State Tax Bureau and the Local Tax Bureau of the PRC, Kailun PV (Jining), being established as sino-foreign enterprise in the PRC, are entitled to an exemption from the PRC state and local enterprise income tax for the first two profitable financial years of their operations (the "Tax Holiday") and thereafter a 50% relief from the state enterprise income tax of the PRC for the following three financial years (the "Tax Relief"). Upon expiry of the Tax Holiday and the Tax Relief, the usual PRC enterprise income tax will be applicable.

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25% and will be effective from 1 January 2008. Subsequent to 16 March 2007, the implementation measure on transitional policy of preferential tax rate is announced and Kailun PV (Jining)'s entitlement to the Tax Holiday and Tax Relief is still applicable. Upon expiry of the Tax Holiday and Tax Relief, the new PRC enterprise income tax rate of 25% is applicable to Kailun PV (Jining).

Pursuant to the announcement (the "Announcement") on the traditional preferential policy issued by State Council on 26 December 2007, the Tax Holiday is still effective under new tax policy. For those enterprises not yet got assessable profits, their preferential period is no longer delayed. The calendar year of 2008 shall be counted as the first preferential year of preferential period and lasts for five years up to year 2012.

Accordingly, the two years' tax exemption periods for Kailun PV (Jining) shall commence in the financial year ending 31 December 2008 under the Announcement and upon expiry of two years' tax exemption periods in the financial year ending 31 December 2009, Kailun PV (Jining) will be subject to the reduced tax rate of 18% for the three financial years from 1 January 2010 to 31 December 2012.

No deferred tax has been provided as Kailun PV (Jining) did not have any significant temporary differences which gave rise to a deferred tax asset or liability at the balance sheet date for all periods presented.

Reconciliation between income tax expense and accounting loss at applicable tax rate is as follows:

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Loss before income tax	(12,148)	(3,731)	(6,261)
Tax on loss before income tax, calculated at the tax rate of 33%	(4,009)	(1,231)	(2,066)
Tax effect of non-taxable items	4,009	1,231	2,066
Income tax expense	–	–	–

11. Directors' Remuneration and Senior Management's Emoluments

(a) Directors' emoluments

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

	Fees	Salaries, allowance and other benefits	Retirement scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2005				
Liu Xiangmao	–	–	–	–
Liu Jie	–	51	–	51
Yan Yunzhu	–	–	–	–
	–	51	–	51
Year ended 31 December 2006				
Liu Xiangmao	–	–	–	–
Liu Jie	–	21	–	21
Yan Yunzhu	–	–	–	–
	–	21	–	21
Year ended 31 December 2007				
Liu Xiangmao	–	–	–	–
Liu Jie	–	3	–	3
Yan Yunzhu*	–	–	–	–
Liu Feng#	–	55	–	55
	–	58	–	58

* Resigned on 8 January 2007

\# Appointed on 8 January 2007

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in Kailun PV (Jining) for the Relevant Periods included one, none and one of the directors for the years ended 31 December 2005, 2006 and 2007 respectively, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining highest paid individuals during the Relevant Periods are as follows:

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and other benefits	203	215	247
Retirement scheme contribution	1	22	2
	204	237	249

The number of individuals fell within the following emolument band (excluding directors):

	2005	**2006**	**2007**
Emolument band HK$nil – HK$1,000,000	4	5	4

During the Relevant Periods, no emoluments were paid by Kailun PV (Jining) to the directors or highest paid individuals as an inducement to join or upon joining Kailun PV (Jining) or as compensation for loss of office.

12. Property, Plant and Equipment

	Buildings	Plant and machinery	Furniture fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005						
Cost	–	6	57	321	8,610	8,994
Accumulated depreciation	–	–	(1)	(4)	–	(5)
Net book amount	–	6	56	317	8,610	8,989
Year ended 31 December 2005						
Opening net book amount	–	6	56	317	8,610	8,989
Additions	–	251	248	23	7,869	8,391
Transfers	7,294	9,185	–	–	(16,479)	–
Depreciation	–	(11)	(34)	(60)	–	(105)
Closing net book amount	7,294	9,431	270	280	–	17,275
At 31 December 2005						
Cost	7,294	9,442	305	344	–	17,385
Accumulated depreciation	–	(11)	(35)	(64)	–	(110)
Net book amount	7,294	9,431	270	280	–	17,275
Year ended 31 December 2006						
Opening net book amount	7,294	9,431	270	280	–	17,275
Additions	–	34	–	–	100	134
Transfers	100	–	–	–	(100)	–
Depreciation	(341)	(1,094)	(57)	(64)	–	(1,556)
Exchange realignment	292	377	11	11	–	691
Closing net book amount	7,345	8,748	224	227	–	16,544
At 31 December 2006						
Cost	7,686	9,854	318	357	–	18,215
Accumulated depreciation	(341)	(1,106)	(94)	(130)	–	(1,671)
Net book amount	7,345	8,748	224	227	–	16,544
Year ended 31 December 2007						
Opening net book amount	7,345	8,748	224	227	–	16,544
Additions	–	4,103	–	377	683	5,163
Transfers	683	–	–	–	(683)	–
Depreciation	(378)	(1,443)	(61)	(107)	–	(1,989)
Exchange realignment	469	558	14	14	–	1,055
Closing net book amount	8,119	11,966	177	511	–	20,773
At 31 December 2007						
Cost	8,860	14,585	338	756	–	24,539
Accumulated depreciation	(741)	(2,619)	(161)	(245)	–	(3,766)
Net book amount	8,119	11,966	177	511	–	20,773

At the balance sheet date, the building ownership certificates of the above 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 land use rights (note 13). In the opinion of the independent PRC legal advisors of Kailun PV (Jining), Kailun PV (Jining) is entitled to obtain the building ownership certificates without legal impediment and is entitled to lawfully and validly use the buildings during the Relevant Periods.

13. Land Use Rights

	HK$'000
At 1 January 2006	
Cost	–
Accumulated amortisation	–
Net book amount	–
Year ended 31 December 2006	
Opening net book amount	–
Additions	17,034
Amortisation	(28)
Net book amount	17,006
At 31 December 2006	
Cost	17,034
Accumulated amortisation	(28)
Net book amount	17,006
Year ended 31 December 2007	
Opening net book amount	17,006
Amortisation	(362)
Exchange realignment	1,085
Net book amount	17,729
At 31 December 2007	
Cost	18,121
Accumulated amortisation	(392)
Net book amount	17,729

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

14. Deposits

The balance represented the deposits paid for the acquisition of property, plant and equipment as at 31 December 2005 and 2006.

15. Inventories

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	2,249	2,022	2,004
Finished goods	3,210	–	1,697
	5,459	2,022	3,701

16. Trade and Bills Receivables

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	–	–	275
Bills receivables	1,942	–	–
	1,942	–	275

Kailun PV (Jining) normally allows credit terms to its trade customers within 30 days. Overdue balances are reviewed regularly by the Kailun PV (Jining)'s management. All trade and bills receivables are denominated in RMB.

The carrying amount of trade and bill receivables is considered a reasonable approximation of fair value as this financial asset, which is measured at amortised cost, is expected to be paid within a short timescale, such that the time value of money impact is not significant.

At each balance sheet date, trade and bill receivables are individually determined to be impaired. The individually impaired receivables, if any, 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 is recognised. Kailun PV (Jining) does not hold any collaterals over these balances.

As at 31 December 2005 and 2006, the ageing of the net trade and bill receivables, based on the invoice dates, are all within 90 days.

As at 31 December 2005 and 2007, Kailun PV (Jining) had no significant balances of trade and bills receivables that were past due but not impaired. The directors of Kailun PV (Jining) are of the opinion that no allowance for impairment of trade receivables is necessary as there was no recent history of default in respect of these trade debtors.

17. Prepayment and Other Receivables

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Prepayment	2,577	626	2,053
Other receivables	193	64	545
	2,770	690	2,598

18. Cash and Bank Balances

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Pledged short-term bank deposits	375	–	–
Cash on hand and at banks	2,789	856	873
	3,164	856	873

Bank balances earns interest at the floating rates based on the daily bank deposits rates.

Pledged short-term bank deposits are made for varying periods between three months and six months for the issuance of bills payables to suppliers, and earned interest at the respective short-term time deposit rates, ranging from 0.72% to 1.71% per annum for the year ended 31 December 2005.

As at 31 December 2005, 2006 and 2007, all of Kailun PV (Jining)'s cash and bank balances were denominated in RMB, which were deposited with 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 and Sales and Payment of Foreign Exchange Regulations, Kailun PV (Jining) is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

19. Trade and Bills Payables

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	4,803	2,290	2,694
Bills payables	375	–	–
	5,178	2,290	2,694

The credit terms of trade payables vary according to the terms agreed with different suppliers. The ageing analysis of Kailun PV (Jining)'s trade payables as at the balance sheet is as follows:

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
0-30 days	2,058	13	614
31-60 days	440	8	25
61-90 days	869	2	–
Over 90 days	1,436	2,267	2,055
	4,803	2,290	2,694

20. Other Payables, Accrued Expenses and Receipts in Advance

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Other payables	11,748	11,927	10,002
Accrued expenses	–	898	3
Receipts in advance	–	–	71
	11,748	12,825	10,076

21. Balances with Minority Equity Holder and Fellow Subsidiaries

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

22. Amount Due to Former Minority Equity Holder

The amount due to former minority equity holder is unsecured, repayable within three years starting from January 2007 and bear floating interest rate which is based on the monthly interest rate of The People's Bank of China.

23. Borrowings

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Current			
Other loans	8,654	4,000	3,091
Government loans	–	–	426
	8,654	4,000	3,517
Non-current			
Government loans	–	–	745
Total borrowings	8,654	4,000	4,262
Analysed into:			
Other loans repayable:			
– Within one year or on demand	8,654	4,000	3,091
Government loans repayable:			
– Within one year or on demand	–	–	426
– In the second year	–	–	320
– In the third to fifth years, inclusive	–	–	425
	–	–	1,171
Less: Portion due within one year include under current liabilities	–	–	(426)
Non-current portion include under non-current liabilities	–	–	745

Notes:

(a) Other loans as at 31 December 2005 and 2006, were unsecured and bore fixed interest rates ranging from 0.3% to 0.6% per month. These loans were guaranteed by the independent third parties, 山東中能電力建設有限公司, 山東中芬能源有限公司 and 濟寧里能建工混凝土有限公司. Kailun PV (Jining) has not recognised the financial impact in respect of these guarantee as their fair value cannot be reliably measured and no transaction price was recorded.

As at 31 December 2007, other loans are unsecured, interest-free and repayable on demand.

(b) Government loans comprise an interest free loan of HK$107,000 (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 condition that Kailun PV (Jining)'s research and development project in the local county satisfies the requirements set by the local government. Other government loans of HK$1,064,000 are unsecured and interest-free.

24. Paid in Capital

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Registered and paid up capital:			
US$2,000,000	15,893	15,893	15,893

25. Notes to the Cash Flow Statements

Major non-cash transactions

In addition to those disclosed elsewhere in the Financial Information, Kailun PV (Jining) had the following significant non-cash transactions:

(a) During the year ended 31 December 2005 and 2007, deposits of HK$2,480,000 and HK$4,012,000 respectively paid in prior year for the acquisition of property, plant and equipment were capitalised as property, plant and equipment.

(b) As at 31 December 2006 and 2007, the other payables in the amount of HK$15,024,000 and HK$15,983,000 respectively under non-current liabilities represented the outstanding consideration payable in respect of the acquisition of land use rights during the year ended 31 December 2006.

26. Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in the Financial Information, Kailun PV (Jining) had the following material related party transactions:

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Sales of goods to fellow subsidiaries	4,639	2,738	–

Notes:

(a) The sales were made with reference to the terms negotiated between the two parties.

(b) The directors of Kailun PV (Jining) are of the opinion that the compensation of key management personnel were fully disclosed in note 11.

27. Risk Management Objective and Policies

Kailun PV (Jining) does not have written risk management policies and guidelines. However, the directors of Kailun PV (Jining) meet periodically to analyse and formulate measures to manage Kailun PV (Jining)'s exposure to market risk (including principally changes in interest rates and currency exchange rates), credit risk and liquidity risk. Generally Kailun PV (Jining) employs conservative strategies regarding its risk management. As Kailun PV (Jining)'s exposure to market risk is kept to a minimum level, Kailun PV (Jining) has not used any derivatives and other instruments for hedging purposes. Kailun PV (Jining) does not hold or issue derivative financial instruments for trading purposes.

(a) Credit risk

The maximum credit risk exposure of the financial assets is summarised in note (f) below.

In the opinion of the directors of Kailun PV (Jining), Kailun PV (Jining) does not have significant credit risk exposure because:

- Kailun PV (Jining)'s bank balances are deposited with the PRC banks;
- Kailun PV (Jining) has no significant concentration of credit risk arising from its ordinary course of business due to its relatively large customer base.

There is no requirement for collateral by Kailun PV (Jining).

(b) Interest rate risk

Kailun PV (Jining)'s exposure to interest rate risk mainly arises on bank deposits, amount due to former equity holder and other loans. Kailun PV (Jining) has not used any derivative contracts to hedge its exposure to interest rate risk. Kailun PV (Jining) has not formulated a policy to manage the interest rate risk.

Interest rate sensitivity

If the saving interest rates had been increased/decreased by 10 basis points at the beginning of the year and all other variables were held constant, Kailun PV (Jining)'s loss after tax and retained profits would increase/decrease by approximately HK$55,000, HK$31,000 and HK$173,000 for the year ended 31 December 2005, 2006 and 2007.

(c) Foreign currency risk

Kailun PV (Jining) does not have significant exposure to foreign currency risk, as transactions are predominately in RMB. Accordingly, Kailun PV (Jining) does not use derivative financial instruments to hedge its foreign currency risk.

(d) Fair values

The fair values of Kailun PV (Jining)'s financial assets and liabilities are not materially different from their carrying amount because of the immediate or short term maturity of these financial instruments. The fair value of long term liabilities was not disclosed because the carrying value is not materially different from the fair value.

(e) Liquidity risk

Kailun PV (Jining)'s policy is to maintain sufficient cash and cash equivalents and have available funding to meet its working capital requirements. Kailun PV (Jining)'s liquidity is dependent upon as mentioned in note 3.1. The directors of Kailun PV (Jining) are satisfied that Kailun PV (Jining) will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

The following table summaries the remaining maturities at the balance sheet date of Kailun PV (Jining)'s financial liabilities, which are based on contractual undiscounted cash flows:

	On demand	Less than three months	Three to twelve months	One year or above	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2005					
Trade and bills payables	2,745	2,058	375	–	5,178
Other payables	10,081	1,667	–	–	11,748
Amounts due to fellow subsidiaries	3,753	–	–	–	3,753
Borrowings	–	3,846	4,808	–	8,654
	16,579	7,571	5,183	–	29,333
At 31 December 2006					
Trade and bills payables	2,277	13	–	–	2,290
Other payables	10,114	1,813	–	15,024	26,951
Amounts due to fellow subsidiaries	7,388	–	–	–	7,388
Borrowings	–	4,000	–	–	4,000
	19,779	5,826	–	15,024	40,629
At 31 December 2007					
Trade and bills payables	2,080	614	–	–	2,694
Other payables	9,775	227	–	15,983	25,985
Amount due to minority equity holder	1,596	–	–	–	1,596
Amounts due to fellow subsidiaries	4,149	–	–	–	4,149
Amount due to former minority equity holder	–	1,156	5,780	6,936	13,872
Borrowings	3,091	426	–	745	4,262
	20,691	2,423	5,780	23,664	52,558

(f) Summary of financial assets and liabilities by categories

The carrying amounts of Kailun PV (Jining)'s financial assets and liabilities recognised at the balance sheet dates are also analysed into the following categories. See notes 3.7 and 3.11 for explanations about how the category of financial instruments affects their subsequent measurement.

Financial assets

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Loans and receivables			
– Trade and bill receivables	1,942	–	275
– Other receivables	193	64	545
Cash and bank balances	2,789	856	873
	4,924	920	1,693

Financial liabilities

	2005	**2006**	**2007**
Financial liabilities measured at amortised cost			
– Trade and bill payables	5,178	2,290	2,694
– Other payables	11,748	26,951	25,985
– Amount due to minority equity holder	–	–	1,596
– Amounts due to fellow subsidiaries	3,753	7,388	4,149
– Amount due to former minority equity holder	–	–	13,872
– Borrowings	8,654	4,000	4,262
	29,333	40,629	52,558

28. Capital Management

Kailun PV (Jining)'s objectives when managing capital include:

(i) to safeguard Kailun PV (Jining)'s ability to continue as a going concern, so that it continues to provide returns for equity holders and benefits for other stakeholders;

(ii) to support Kailun PV (Jining)'s stability and growth; and

(iii) to provide capital for the purpose of strengthening Kailun PV (Jining)'s risk management capability.

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

Kailun PV (Jining) sets the amount of equity capital in proportion to its overall financing structure. Kailun PV (Jining) 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, Kailun PV (Jining) may adjust the amount dividends paid to equity holders, return capital to equity holders, issue new shares, or sell assets to reduce debt.

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

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Capital:			
Total equity/(capital deficiency)	3,206	(397)	(6,683)
Overall financing:			
Interest-bearing loans and borrowings	8,654	4,000	18,134

29. Subsequent Events

No significant event has taken place subsequent to 31 December 2007.

Yours faithfully,

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

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS AND OPERATIONS OF KAILUN PV (JINING)

The following is the management discussion and analysis of Kailun PV (Jining) for each of the three years ended 31 December 2005, 2006 and 2007.

i) FOR THE YEAR ENDED 31 DECEMBER 2005

a) FINANCIAL REVIEW

The revenue of Kailun PV (Jining) for the year ended 31 December 2005 was approximately HK$4,639,000. Kailun PV (Jining) reported a net loss for the year attributable to the equity holders of HK$12,148,000.

b) LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2005, Kailun PV (Jining) had total assets of HK$32,539,000. Total assets comprised cash and bank balances of HK$3,164,000, trade and bills receivables of HK$1,942,000, prepayment and other receivables of HK$2,770,000, inventories of HK$5,459,000, together with property, plant and equipment of HK$17,275,000 and deposits of HK$1,929,000. Total liabilities comprised borrowings of HK$8,654,000, trade and bills payables of HK$5,178,000, other payables, accrued expenses and receipts in advance of HK$11,748,000, and amounts due to fellow subsidiaries of HK$3,753,000.

As at 31 December 2005, the current ratio (current assets/current liabilities) of Kailun PV (Jining) was 45.5% and the gearing ratio of Kailun PV (Jining) was 269.9% which was calculated as total borrowings divided by the total equity.

c) CAPITAL STRUCTURE, EXPOSURE TO EXCHANGE RATES FLUCTUATION AND CHARGE OF ASSETS

As at 31 December 2005, the total equity of Kailun PV (Jining) amounted to HK$3,206,000, comprising registered capital of US$1,020,000 and US$980,000 invested by Donnion and 濟寧惠嘉豐投資有限公司, respectively.

As at 31 December 2005, (i) Kailun PV (Jining) had no significant exposure to fluctuations in exchange rates and related hedges, (ii) Kailun PV (Jining) had no charges on its assets; and (iii) Kailun PV (Jining) had no significant investment held.

d) MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

During the year, Kailun PV (Jining) did not make any material acquisitions and disposals of subsidiaries and affiliated companies and investment.

e) SEGMENTAL INFORMATION

No business or geographical segment information has been presented as all operations, assets and liabilities of Kailun PV (Jining) during the year were related to the production and sales of highly purified silicon and research and development in the production of Solar Silicon in the PRC.

f) EMPLOYEES

For the year ended 31 December 2005, the average number of employees of Kailun PV (Jining) was 126 with an average emoluments, including directors' emoluments of HK$13,000 for the year.

g) CONTINGENT LIABILITIES

As at 31 December 2005, Kailun PV (Jining) did not have any significant contingent liabilities.

ii) FOR THE YEAR ENDED 31 DECEMBER 2006

a) FINANCIAL REVIEW

The revenue of Kailun PV (Jining) for the year ended 31 December 2006 was approximately HK$4,574,000, representing a 1.4% decrease as compared with last year. Kailun PV (Jining) reported a net loss for the year attributable to the equity holders of HK$3,731,000.

b) LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, Kailun PV (Jining) had total assets of HK$41,130,000. Total assets comprised cash and bank balances of HK$856,000, prepayment and other receivables of HK$690,000, inventories of HK$2,022,000, together with property, plant and equipment of HK$16,544,000, land use rights of HK$17,006,000, and deposits of HK$4,012,000. Total liabilities comprised borrowings of HK$4,000,000, trade and bills payables of HK$2,290,000, other payables, accrued expenses and receipts in advance of HK$12,825,000, amounts due to fellow subsidiaries of HK$7,388,000, and other non-current payables of HK$15,024,000.

As at 31 December 2006, the current ratio (current assets/current liabilities) of Kailun PV (Jining) was 13.5% and the gearing ratio of Kailun PV (Jining) was not applicable as Kailun PV (Jining) had negative total equity.

c) CAPITAL STRUCTURE, EXPOSURE TO EXCHANGE RATES FLUCTUATION AND CHARGE OF ASSETS

As at 31 December 2006, the capital deficiency of Kailun PV (Jining) amounted to HK$397,000, comprising registered capital of US$1,020,000 and US$980,000 invested by Donnion and 濟寧惠嘉豐投資有限公司, respectively.

As at 31 December 2006, (i) Kailun PV (Jining) had no significant exposure to fluctuations in exchange rates and related hedges, (ii) Kailun PV (Jining) had no charges on its assets; and (iii) Kailun PV (Jining) had no significant investment held.

d) MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

During the year, Kailun PV (Jining) did not make any material acquisitions and disposals of subsidiaries and affiliated companies and investment.

e) SEGMENTAL INFORMATION

No business or geographical segment information has been presented as all operations, assets and liabilities of Kailun PV (Jining) during the year were related to the production and sales of highly purified silicon and research and development in the production of Solar Silicon in the PRC.

f) EMPLOYEES

For the year ended 31 December 2006, the average number of employees of Kailun PV (Jining) was 123 with an average emoluments, including directors' emoluments of HK$7,000 for the year.

g) CONTINGENT LIABILITIES

As at 31 December 2006, Kailun PV (Jining) did not have any significant contingent liabilities.

iii) FOR THE YEAR ENDED 31 DECEMBER 2007

a) FINANCIAL REVIEW

The revenue of Kailun PV (Jining) for the year ended 31 December 2007 was approximately HK$28,940,000, representing a 532.7% increase as compared with last year. Kailun PV (Jining) reported a net loss for the year attributable to the equity holders of HK$6,261,000.

b) LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, Kailun PV (Jining) had total assets of HK$45,949,000. Total assets comprised cash and bank balances of HK$873,000, inventories of HK$3,701,000, trade and bills receivables of HK$275,000 prepayment and other receivables of HK$2,598,000, together with property, plant and equipment of HK$20,773,000 and land use rights of HK$17,729,000. Total liabilities comprised borrowings of HK$4,262,000, trade and bills payables of HK$2,694,000, other payables, accrued expenses and receipts in advance of HK$10,076,000, amount due to minority equity holder of HK$1,596,000, amounts due to fellow subsidiaries of HK$4,149,000, amount due to former minority equity holder of HK$13,872,000, and other non-current payables of HK$15,983,000.

As at 31 December 2007, the current ratio (current assets/current liabilities) of Kailun PV (Jining) was 25.7% and the gearing ratio of Kailun PV (Jining) was not applicable as Kailun PV (Jining) had negative total equity.

c) CAPITAL STRUCTURE, EXPOSURE TO EXCHANGE RATES FLUCTUATION AND CHARGE OF ASSETS

As at 31 December 2007, the capital deficiency of Kailun PV (Jining) amounted to HK$6,683,000, comprising registered capital of US$1,020,000 and US$980,000 invested by Donnion and Kailun (QuFu), respectively.

As at 31 December 2007, (i) Kailun PV (Jining) had no significant exposure to fluctuations in exchange rates and related hedges, (ii) Kailun PV (Jining) had no charges on its assets; and (iii) Kailun PV (Jining) had no significant investment held.

d) MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

During the year, Kailun PV (Jining) did not make any material acquisitions and disposals of subsidiaries and affiliated companies and investment.

e) SEGMENTAL INFORMATION

No business or geographical segment information has been presented as all operations, assets and liabilities of Kailun PV (Jining) during the year were related to the production and sales of highly purified silicon and research and development in the production of Solar Silicon in the PRC.

f) EMPLOYEES

For the year ended 31 December 2007, the average number of employees of Kailun PV (Jining) was 141 with an average emoluments, including directors' emoluments of HK$17,000 for the year.

g) CONTINGENT LIABILITIES

As at 31 December 2007, Kailun PV (Jining) did not have any significant contingent liabilities.

1. INTRODUCTION

The following is the unaudited pro forma financial information of the Enlarged Group prepared in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of illustrating the effect of the Proposed Acquisition and the Proposed Subscription on the financial position of the Enlarged Group as at 31 December 2007 and the results and cash flows of the Enlarged Group for the year ended 31 December 2007. As it is prepared for illustrative purpose only, and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the Proposed Acquisition and the Proposed Subscription.

The unaudited pro forma consolidated balance sheet of the Enlarged Group is prepared based on the audited consolidated balance sheet of the Group as at 31 December 2007 extracted from the published annual report of the Company as set out in Appendix I to this circular and the audited balance sheet of Kailun PV (Jining) as at 31 December 2007 extracted from the accountants' report on Kailun PV (Jining) as set out in Appendix III to this circular as if the Proposed Acquisition and the Proposed Subscription had been completed on 31 December 2007.

The unaudited pro forma consolidated income statement and cash flow statement of the Enlarged Group are prepared based on the audited consolidated income statement and cash flow statement of the Group for the year ended 31 December 2007 extracted from the published annual report of the Company as set out in Appendix I to this circular and the audited income statement and cash flow statement of Kailun PV (Jining) for the year ended 31 December 2007 extracted from the accountants' report on Kailun PV (Jining) as set out in Appendix III to this circular as if the Proposed Acquisition and the Proposed Subscription had been completed on 1 January 2007.

As Divine Mission Holdings Limited ("Divine Mission") and Kailun Photovoltaic Materials Investments Limited ("Kailun PV (HK)") were established on 25 January 2008 and 4 March 2008 respectively, and both companies' sole investment is on Kailun PV (Jining), the balance sheet, income statement and cash flow statement of Divine Mission and Kailun PV (HK) were not included in the unaudited pro forma consolidated balance sheet, the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement of the Enlarged Group in this respect.

2. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

	The Group as at 31 December 2007	Kailun PV (Jining) as at 31 December 2007	Pro forma adjustments				Pro forma Enlarged Group
	HK$'000 (Audited)	*HK$'000* (Audited)	*HK$'000* *(Note (1)(a)(i))*	*HK$'000* *(Note (1)(a)(ii))*	*HK$'000* *(Note (1)(b))*	*HK$'000* *(Note (3))*	*HK$'000*
ASSETS AND LIABILITIES							
Non-current assets							
Property, plant and equipment	1,293	20,773					22,066
Land use rights	–	17,729					17,729
Goodwill	–	–			36,690		36,690
	1,293	38,502					76,485
Current assets							
Inventories	–	3,701					3,701
Trade and bills receivables	5,414	275					5,689
Prepayments and other receivables	1,300	2,598					3,898
Cash and bank balances	33,752	873			(7,780)		26,845
	40,466	7,447					40,133
Current liabilities							
Trade and bills payables	5,375	2,694					8,069
Other payables, accrued expenses and receipts in advance	4,017	10,076					14,093
Amount due to minority equity holder of Kailun PV (Jining)	–	1,596				(1,596)	–
Amounts due to fellow subsidiaries of Kailun PV (Jining)	–	4,149				(4,149)	–
Amount due to former minority equity holder of Kailun PV (Jining)	–	6,936				(6,936)	–
Amounts due to related companies	–	–				5,745	5,745
Unsecured borrowings	–	3,517				6,936	10,453
	9,392	28,968					38,360
Net current assets/(liabilities)	31,074	(21,521)					1,773
Total assets less current liabilities	32,367	16,981					78,258
Non-current liabilities							
Other payables	–	15,983					15,983
Amount due to former minority equity holder of Kailun PV (Jining)	–	6,936				(6,936)	–
Unsecured borrowings	–	745				6,936	7,681
Convertible bonds	13,169	–					13,169
	13,169	23,664					36,833
Net assets/(liabilities)	19,198	(6,683)					41,425
EQUITY							
Equity attributable to equity holders of the Company							
Share capital/Paid in capital	3,413	15,893	(7,788)	7,788	(15,893)		3,413
Reserves	15,785	(22,576)	7,788	(7,788)	22,576		15,785
	19,198	(6,683)					19,198
Minority interests	–	–	7,788 (7,788)	(7,788) 7,788	22,227		22,227
Total equity/(capital deficiency)	19,198	(6,683)					41,425

3. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP

	The Group year ended 31 December 2007	Kailun PV (Jining) year ended 31 December 2007	Pro forma adjustment	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	*(Note (2))*	
Revenue	67,843	28,940		96,783
Direct operating expenses/Cost of sales	(43,696)	(31,491)		(75,187)
Gross profit/(loss)	24,147	(2,551)		21,596
Other operating revenue/Other revenue	192	201		393
Selling and distribution costs	(17,271)	(441)		(17,712)
Administrative expenses	(9,998)	(1,984)		(11,982)
Other operating income/(expenses), net	4,628	(462)		4,166
Operating profit/(loss)	1,698	(5,237)		(3,539)
Finance cost	(169)	(1,024)		(1,193)
Profit/(loss) before income tax	1,529	(6,261)		(4,732)
Income tax expense	–	–		–
Profit/(loss) for the year	1,529	(6,261)		(4,732)
Attributable to:				
Equity holders of the Company	1,529	(6,261)	2,504	(2,228)
Minority interests	–	–	(2,504)	(2,504)
Profit/(loss) for the year	1,529	(6,261)		(4,732)

4. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE ENLARGED GROUP

	The Group year ended 31 December 2007 *HK$'000* (Audited)	Kailun PV (Jining) year ended 31 December 2007 *HK$'000* (Audited)	Pro forma adjustment *HK$'000* *(Note (1)(c))*	Pro forma Enlarged Group *HK$'000*
Cash flows from operating activities				
Profit/(loss) before income tax	1,529	(6,261)		(4,732)
Adjustments for:				
Interest income	(79)	(12)		(91)
Finance cost	169	1,024		1,193
Depreciation	285	1,989		2,274
Amortisation of land use rights	–	362		362
Gain on disposal of subsidiaries	(5,480)	–		(5,480)
Equity-settled share-based payment expenses	749	–		749
Operating loss before workings capital changes	(2,827)	(2,898)		(5,725)
Increase in inventories	–	(1,679)		(1,679)
Increase in trade and bills receivables, prepayments and other receivables	(1,251)	(2,183)		(3,434)
(Decrease)/increase in trade and bills payables	(2,623)	404		(2,219)
Increase/(decrease) in other payables, accrued expenses and receipts in advance	2,239	(2,749)		(510)
Decrease in amount due to a related company	(71)	–		(71)
Increase in amount due to minority equity holder of Kailun PV (Jining)	–	1,596		1,596
Decrease in amounts due to fellow subsidiaries of Kailun PV (Jining)	–	(3,239)		(3,239)
Net cash used in operating activities	(4,533)	(10,748)		(15,281)
Cash flows from investing activities				
Interest received	79	12		91
Proceeds from disposal of subsidiaries	309	–		309
Acquisition of subsidiary (net of cash and cash equivalent acquired)	–	–	(6,924)	(6,924)
Purchase of property, plant and equipment	(1,518)	(1,151)		(2,669)
Net cash used in investing activities	(1,130)	(1,139)		(9,193)
Cash flows from financing activities				
Proceeds from shares issued under share option scheme	3,283	–		3,283
Proceeds from issuance of new shares	20,300	–		20,300
Proceeds from issuance of convertible bonds	14,700	–		14,700
Share issue expenses	(1,431)	–		(1,431)
Interest paid	–	(1,024)		(1,024)
Increase in amount due to former minority equity holder of Kailun PV (Jining)	–	13,872		13,872
Drawdown of other loans	–	3,297		3,297
Repayment of other loans	–	(4,206)		(4,206)
Drawdown of government loans	–	1,171		1,171
Net cash generated from financing activities	36,852	13,110		49,962
Net increase in cash and cash equivalents	31,189	1,223		25,488
Cash and cash equivalents at 1 January	2,563	856	(856)	2,563
Effect of foreign exchange rates, net	–	(1,206)		(1,206)
Cash and cash equivalents at 31 December	33,752	873		26,845
Analysis of cash and cash equivalents				
Cash at banks and in hand	33,752	873	(7,780)	26,845

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Notes to the pro forma financial information of the Enlarged Group

(1) On 8 April 2008, the Company entered into the Share Transfer Agreement with the Vendor to acquire of 2,000 of the existing issued share capital of Divine Mission Holdings Limited ("Divine Mission") at a consideration of US$1,000,000 (equivalent to HK$7,780,000) (the "Proposed Acquisition").

On 8 April 2008, the Company entered into the Subscription Agreement with Divine Mission to subscribe for 10,000 of new shares of Divine Mission at a consideration of US$8,000,000 (equivalent to HK$62,240,000) (the "Proposed Subscription").

HK$70,020,000 of the total consideration of the Proposed Acquisition and the Proposed Subscription are satisfied by:

(1) HK$10,000,000 has been paid by the Company in cash as a deposit; and

(2) HK$60,020,000 will be satisfied by way of cash by internal resources and/or equity financing and/or shareholders loan of the Company.

Divine Mission is wholly owned by the Vendor and Divine Mission wholly owns of Kailun Photovoltaic Materials Investments Limited ("Kailun PV (HK)"). Divine Mission was incorporated in the British Virgins Islands on 25 January 2008 and Kailun PV (HK) was incorporated in Hong Kong on 4 March 2008. The net assets value of Divine Mission and Kailun PV (HK) were US$10,000 (equivalent to HK$77,800) and HK$10,000,000 respectively which represented their respective issued share capital at the date of this circular. As at the date of this circular, 濟寧凱倫光伏材料有限公司("Kailun PV (Jining)") is 51% owned by Donnion Investments Limited and 49% owned by 凱倫(曲阜)置業有限公司. Donnion Investments Limited and 凱倫(曲阜)置業有限公司 are wholly owned by the Vendor. Prior to the completion of the Proposed Acquisition and the Proposed Subscription, Donnion Investments Limited and 凱倫(曲阜)置業有限公司 will transfer their equity interests in Kailun PV (Jining) to Kailun PV (HK) and Divine Mission will indirectly own the entire equity interest of Kailun PV (Jining). As Divine Mission and Kailun PV (HK) were established on 25 January 2008 and 4 March 2008 respectively, the balance sheet, income statement and cash flow statement of Divine Mission and Kailun PV (HK) were not included in the unaudited pro forma consolidated balance sheet, the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement of the Enlarged Group in this respect.

Kailun PV (Jining) is, therefore, considered by the directors of the Company as indirectly 60% owned subsidiary of the Company because Kailun PV (Jining) will be controlled by the Group immediately after completion of the Proposed Acquisition and the Proposed Subscription. The balance sheet of Kailun PV (Jining) will be consolidated with that of the Group from the date on which control is transferred to the Group.

According to the Share Transfer Agreement and the Subscription Agreement, US$8,000,000 (equivalent to HK$62,240,000) will be used for the purpose of capital injection in Kailun PV (Jining). Since this pro forma financial information is prepared solely for the illustrative purpose of the effect of financial position of the Enlarged Group on the Proposed Acquisition and the Proposed Subscription, the proposed adjustments for the capital injection in Kailun PV (Jining) amounted to HK$62,240,000 were not reflected in the unaudited pro forma consolidated balance sheet of the Enlarged Group in this respect.

(a) On 8 January 2007, 凱倫(曲阜)置業有限公司 acquired 49% equity interests in Kailun PV (Jining) from the former minority equity holder of Kailun PV (Jining) for a consideration of approximately RMB8,099,000 (equivalent to HK$7,788,000) based on the amount of the paid-up capital of Kailun PV (Jining) (the "Minority Acquisition"). Kailun PV (Jining) is, therefore, considered by the directors of the Company as additional 49% equity interests in Kailun PV (Jining) by the Vendor because Donnion Investments Limited and 凱倫(曲阜)置業有限公司 are wholly owned by the Vendor. The pro forma adjustments have been made as follows to reflect:

(i) the result in net assets value of Kailun PV (Jining) shared by the former minority equity holder of Kailun PV (Jining) before completion of the Minority Acquisition; and

(ii) the recognition of excess of cost of acquisition in Kailun PV (Jining) over the net carrying amounts acquired arising from the Minority Acquisition as capital reserve.

(b) The pro forma adjustment is to reflect the effect of the Proposed Acquisition and the Proposed Subscription on the consolidated balance sheet of the Group as if the Proposed Acquisition and the Proposed Subscription had taken place on 31 December 2007. Goodwill was determined assuming that the total consideration of HK$70,020,000 and the fair values of the identifiable assets and liabilities of Kailun PV (Jining) acquired by the Company are equal to those balances recorded by Kailun PV (Jining) as at 31 December 2007 extracted from the accountants' report of Kailun PV (Jining) as set out in Appendix III to this circular. With reference to the net liabilities values of Kailun PV (Jining) attributable to the equity holders as at 31 December 2007, goodwill of HK$36,690,000 arose from the Proposed Acquisition and the Proposed Subscription. The goodwill is stated at cost less accumulated impairment loss. The paid in capital of Kailun PV (Jining) would be eliminated upon consideration, together with the pre-acquisition reserves of HK$22,576,000.

On completion of the Proposed Acquisition and the Proposed Subscription, the fair value of the net consideration and the net identifiable assets and liabilities of Kailun PV (Jining) will have to be reassessed. As a result of the reassessment, the amount of goodwill may be different from that estimated based on the basis stated above for the purpose of preparation of the unaudited pro forma financial information. Accordingly, the actual goodwill at the date of completion of the Proposed Acquisition and the Proposed Subscription may be different from that presented above.

(c) The pro forma adjustment of HK$7,780,000 represented the cash consideration settlement of the Proposed Subscription of HK$62,240,000. For the purpose of unaudited pro forma consolidated cash flow statement presentation, the beginning balance of cash and bank balances of Kailun PV (Jining) for the year ended 31 December 2007 amounted to HK$856,000 has been adjusted to reflect the net cash flow effect on the Proposed Acquisition and the Proposed Subscription as if the Proposed Acquisition and the Proposed Subscription has been completed on 1 January 2007.

(2) The reduction of 40% of the results of Kailun PV (Jining) share by the minority equity holders in the unaudited pro forma consolidated income statement.

(3) The adjustment represents the reclassification of accounts under the Enlarged Group.

5. LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the propose of inclusion in this circular, received from Grant Thornton, Certified Public Accountants, Hong Kong.

Grant Thornton
均富

Member of Grant Thornton International Ltd

2 May 2008

The Directors
Honbridge Holdings Limited
Suite 2703
27th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of Honbridge Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), and 濟寧凱倫光伏材料有限公司 ("Kailun PV (Jining)"), formerly known as 濟寧凱倫硅業有限公司 (together with the Group collectively referred to as the "Enlarged Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of 20% of the existing issued share capital of Divine Mission Holdings Limited ("Divine Mission") and 10% of the enlarged issued share capital of Divine Mission (the "Proposed Acquisition") and the proposed subscription of 10,000 new ordinary shares of Divine Mission (the "Proposed Subscription"), which represents 100% of the existing issued capital of Divine Mission and 50% of the enlarged issued share capital of Divine Mission, and 60% effective interest of the Company in Divine Mission upon completion of the Proposed Acquisition and Proposed Subscription, might have affected the financial information presented, for the inclusion in Appendix V of the Company's circular dated 2 May 2008 (the "Circular"). The basis of the preparation of the unaudited pro forma financial information is set out on pages 106 to 111 of Appendix V to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 31 of Chapter 7 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Audit or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 December 2007 or any future date; or
- the results and cash flows of the Enlarged Group for the year ended 31 December 2007 or any future periods.

OPINION

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,

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

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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:

1. the information contained in this circular is accurate and complete in all material respects and not misleading;

2. there are no other matters the omission of which would make any statement in this circular misleading; and

3. all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

a) Share Capital

The authorized and issued share capital of the Company as at the Latest Practicable Date are as follows:

Authorised:

1,000,000,000,000 ordinary shares of HK$0.001 each	HK$1,000,000,000

Issued and fully paid:

3,412,719,716 ordinary shares of HK$0.001 each	HK$3,412,720

II. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, 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:

a. Long positions in shares of associated corporations:

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

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

Save as disclosed above and the interests as disclosed below, none of the Directors or chief executives of the Company had, as at the Latest Practicable Date, 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.

III. SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, those persons, other than the Directors or chief executive of the Company, who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or were, directly or indirectly, interested in ten per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Enlarged Group and the amount of each such person's interest in such securities, together with particulars of any options in respect of such capital or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Name of shareholder	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of issued shareholding
Hong Bridge	Beneficial owner	2,555,000,000 *(Note)*	74.87%

Note: Hong Bridge is wholly-owned by Mr. HE Xuechu. Mr. HE Xuechu is the sole director of Hong Bridge and the chairman and Director of the Company.

Save as disclosed above, as at Latest Practicable Date, 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.

IV. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract or had an unexpired service contract with any member of the Enlarged Group, which is not determinable by any member of the Enlarged Group within one year without payment of compensation other than statutory compensation.

V. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation, arbitration or claim of material important known by the directors to be pending or threatened against any member of the Enlarged Group.

VI. COMPETING INTEREST

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

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors are aware of, none of the directors or the management shareholders of the Company (as defined under the GEM Listing Rules) or their respective associates have any interest in a business which competes or may compete with the business of the Enlarged Group.

VII. MATERIAL CONTRACTS

The following contracts (not being entered into in the ordinary course of business) have been entered into by the members of the Enlarged Group within two years preceding the Latest Practicable Date and which are or may be material:

(a) An agreement dated 21 December 2006 entered into among the Company as the purchaser, South China Strategic Limited ("SCS"), a wholly-owned subsidiary of South China (China) Limited ("SCC"), as the vendor and SCC, a subsidiary of South China Holdings, as the guarantor, pursuant to which SCS had conditionally agreed to sell the projects relating to the agricultural businesses in the PRC to the Company at a consideration of HK$140,000,000. The consideration would be satisfied by the Company's issuance a convertible note. Subsequently, a termination agreement dated 27 December 2006 was entered into among the aforesaid contracting parties to terminate the aforesaid agreement;

(b) the subscription agreement dated 16 August 2007 entered into between the Company and Hong Bridge, pursuant to which, Hong Bridge has conditionally agreed to subscribe in cash for (i) 2,900 million new Shares to be issued pursuant to the subscription agreement dated 16 August 2007 at the subscription price of HK$0.007 per share; and (ii) the convertible notes in the principal amount of HK$14.7 million with an initial conversion price of HK$0.007 per conversion shares;

(c) the disposal agreement dated 16 August 2007 entered into between Great Ready Assets and Win Gain Investments Limited in relation to the Disposal of the Jessica Publications (BVI) Limited sale shares;

(d) the Share Transfer Agreement; and

(e) the Subscription Agreement.

Save as disclosed above, no material contract (not being a contract entered into in the ordinary course of business carried on by the Group) has been entered into by any member of the Enlarged Group within two years preceding the Latest Practicable Date which are or may be material.

VIII. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2007, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Enlarged Group.

IX. QUALIFICATION OF EXPERT

The following is the qualification of the expert whose advice or opinion are contained in this circular:

Name	**Qualification**
Grant Thornton	Certified Public Accountants

Grant Thornton has given and has not withdrawn their written consents to the issue of this circular with the inclusion herein of its reports and/or letters or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Grant Thornton did not have any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, Grant Thornton did not have any direct or indirect interest in any asset which had been, since 31 December 2007, being the date to which the latest published audited financial statements of the company were made up, acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

VIII. GENERAL

a. So far as is known to the Directors, as at the Latest Practicable Date, there was no discrepancy between any Shareholder's beneficial shareholding interest in the Company as disclosed in this circular and the number of shares in respect of which it will control or will be entitled to exercise control over the voting rights at the EGM.

b. The compliance officer of the Company is Mr. Liu Wei William, aged 43, who is also a director and 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 Great Ready Assets Limited, Beforward Trading Limited, Superb Taste Company Limited, Honbridge Management Limited, Jessicacode Limited and Clear Success Limited, all being subsidiaries of the Company.

c. The company secretary and qualified accountant of the Company is Mr. Lam King Ho. Mr. Lam holds a bachelor degree in accounting and finance. 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 12 years of finance and business management experience in major international accounting firms and listed companies in Hong Kong.

d. The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members, including Mr. Chan Chun Wai, Tony, who is a practicing certified public accountant and a director of a certified public accounting practice, has the appropriate financial and accounting experience required by the GEM Listing Rules and acts as the chairman of the Audit Committee.

e. The registered office of the Company is at Scotia Centre 4th Floor, P.O. Box 2804 George Town, Grand Cayman Cayman Islands.

f. The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited Room 1901-02, Fook Lee Commercial Centre Town Plaza, 33 Lockhart Road, Wanchai, Hong Kong.

IX. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Suite 2703, 27/F, Great Eagle Centre, 23 Harbour Road Wanchai, Hong Kong, from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;.

(c) the annual reports of the Company for two years ended 31 December 2007;

(d) the written consents referred to in paragraph headed "Qualification of Expert" in this appendix;

(e) the accountants' report on Kailun PV (Jining) prepared by Grant Thornton, the text of which set out in Appendix III to this circular;

(f) the letter on unaudited pro forma consolidated financial information from Grant Thornton, the text of which is set out in Appendix V of this circular, and

HONBRIDGE HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(stock code：8137)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "EGM") of the Shareholders of Honbridge Holdings Limited (the "Company") will be held at Suit 2703, 27/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong, at 10:00 a.m. on Tuesday, 20 May 2008 for the purpose of considering and, if thought appropriate, to approve the following ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) "**THAT**

(a) The Share Transfer Agreement dated 8 April 2008 (a copy of which is tabled at the meeting and marked "A" and initialed by the chairman of the meeting for identification purpose), as supplemented by a supplemental agreement dated 8 April 2008 (a copy of which is tabled at the meeting and marked "B" and initialed by the chairman of the meeting for identification purpose), entered into between Honbridge Holdings Limited (the Company) and Mr. LIU Xiangmao (the Vendor) in relation to the Acquisition.

Pursuant to the Share Transfer Agreement, the Company will acquire from the Vendor 2,000 shares in Divine Mission current owned by the Vendor, representing approximately 20% of the existing issued share capital of Divine Mission and 10% of the enlarged issued share capital of Divine Mission for a consideration of US$1,000,000 (equivalent to HK$7,780,000); which shall be payable in cash by the Company to the Vendor.

The consideration will be satisfied by way of cash by internal resources and/or equity financing and/or shareholders' loan of the Company.

Completion of the Share Transfer Agreement is conditional upon, amongst other things, satisfaction of the following conditions precedent within 3 months from the date of the Share Transfer Agreement, or such other date as the parties to the Share Transfer Agreement may agree: the approval of the Share Transfer Agreement by the Shareholders at the EGM; completion of the separate share transfer agreement (a copy of which is tabled at the meeting and marked "C" and initialed by the chairman of the meeting for identification purpose), pursuant to which Donnion and

Kailun (QuFu) will transfer their equity interests in Kailun PV (Jining) to Kailun PV (HK), a wholly-owned subsidiary of Divine Mission; and completion of the Subscription Agreement (a copy of which is tabled at the meeting and marked "D" and initialed by the chairman of the meeting for identification purpose).

(b) Any one director of the Company be and is/are hereby authorized for and on behalf of the Company to do all such acts and things and execute all documents or make such arrangements as he or she may consider necessary or expedient to effect the Share Transfer Agreement between the Company and the Vendor."

(2) "**THAT**

(a) The Subscription Agreement dated 8 April 2008 (a copy of which is tabled at the meeting and marked "D" and initialed by the chairman of the meeting for identification purpose), entered into between Honbridge Holdings Limited (the Subscriber, or the Company) and Divine Mission (the Issuer) in relation to the Subscription.

Pursuant to the Subscription Agreement the Company will subscribe for 10,000 new Shares of Divine Mission, representing approximately 100% of the existing issued share capital of Divine Mission and 50% of the enlarged issued share capital of Divine Mission for an consideration of US$8,000,000 (equivalent to HK$62,240,000).

The consideration to subscribe for 10,000 new shares in Divine Mission is US$8,000,000 (equivalent to HK$62,240,000).

Completion of the Subscription Agreement is conditional upon, amongst other things, satisfaction of the following conditions precedent within 3 months from the date of the Subscription Agreement, or such other date as the parties to the Subscription Agreement may agree: approval of the Subscription Agreement by the Shareholders at the EGM; completion of the separate share transfer agreement, pursuant to which Donnion and Kailun (QuFu) will transfer their equity interests in Kailun PV (Jining) to Kailun PV (HK), a wholly-owned subsidiary of Divine Mission; and completion of the Share Transfer Agreement.

The Share Transfer Agreement and the Subscription Agreement are inter-conditional.

Upon Completion, the Company will be interested in 60% of the enlarged issued share capital of Divine Mission.

(b) Any one director of the Company be and is/are hereby authorized for and on behalf of the Company to do all such acts and things and execute all documents or make such arrangements as he or she may consider necessary or expedient to effect the Subscription Agreement between the Company and the Divine Mission."

On behalf of the Board
Honbridge Holdings Limited
HE Xuechu
Chairman

Hong Kong, 2 May 2008

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

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the meeting is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at Union Registrars Limited of Room 1901-02, Fook Lee Commercial Centre, Town Plaza, 33 Lockhart Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he so wish.

3. In the case of joint holders of Shares, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such Share as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.