THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

Dealings in the securities of the Company will be settled through Central Clearing and Settlement System ("CCASS") operated by Hong Kong Securities Clearing Company Limited ("HKSCC") and you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests. If you have sold or transferred all your shares in the Company, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

If you have sold or transferred all your shares in **Honbridge Holdings Limited**, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.

HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8137)

(I) VERY SUBSTANTIAL ACQUISITION
(II) REFRESHMENT OF EXISTING GENERAL MANDATE
(III) REFRESHMENT OF EXISTING SCHEME MANDATE LIMIT

Financial adviser to Honbridge Holdings Limited

CIMB

CIMB Securities (HK) Limited

Independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the refreshment of the Existing General Mandate

Nuada Limited

Corporate Finance Advisory

A notice convening the EGM of Honbridge Holdings Limited to be held at Suite 2703, 27/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Monday, 15 March 2010 at 10:30 a.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of such meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment thereof should you so wish.

24 February 2010

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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, the following expressions shall have the following meanings, unless the context otherwise requires:

"associate(s)"	has the same meaning ascribed to it under the GEM Listing Rules
"Acquisition"	the acquisition by the Company of the Sale Shares, representing the entire issued share capital of Hill Talent upon completion of the Reorganisation
"AGM"	the annual general meeting of the Company held on 8 May 2009
"Announcement"	the announcement of the Company dated 12 November 2009 in respect of, among others, the Acquisition
"BPL"	Brilliant People Limited, a company incorporated in the British Virgin Islands and wholly-owned by Shandong Zhi Xiang
"Circular"	this circular
"CN"	the zero coupon HK$400,000,000 irredeemable convertible note due 2014 to be issued by the Company under the Equity Transfer Agreement
"Company"	Honbridge Holdings Limited, a company incorporated in the Cayman Islands with limited liabilities, the Shares of which are listed on GEM
"Completion"	completion of the Equity Transfer Agreement
"Completion Date"	the 7th business day after the fulfilment or waiver of the conditions precedent of the Equity Transfer Agreement (or such other date as may be agreed between the parties to the Equity Transfer Agreement)
"Consideration"	the consideration for the Acquisition of HK$880,000,000
"Consideration Shares"	600,000,000 new Shares to be issued by the Company pursuant to the Equity Transfer Agreement
"Controlling Shareholder(s)"	has the same meaning ascribed to it under the GEM Listing Rules
"Conversion Shares"	the Shares to be issued upon conversion of the CN

"connected person(s)"	has the same meaning ascribed to it under the GEM Listing Rules
"Director(s)"	the director(s) of the Company
"DNPM"	the Departamento Nacional de Produção Mineral, which is the National Department of Mineral Production under the MME, the objectives of which are to foster the planning and promotion of exploration and mining of mineral resources, to supervise geological and mineral exploration and the development of mineral technology, as well as to ensure, control and monitor the exercise of mining activities throughout the Brazilian national territory, in accordance with the Mining Code, the Mineral Water Code and respective legislations and regulations that complement them
"EGM"	the extraordinary general meeting of the Company to be held and convened at Suite 2703, 27/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Monday, 15 March 2010 at 10:30 a.m. to consider and, if thought appropriate, to approve, among other matters (if any), the Equity Transfer Agreement and the transactions contemplated thereunder
"Eligible Persons"	any senior executives or senior officers, directors (including executive, non-executive and independent non-executive directors) of any member of the Company and shareholders of any member of the Group, who have contributed or will contribute to the growth and development of the Company
"Enlarged Group"	the Group together with the Target Group
"Equity Transfer Agreement"	the share transfer agreement dated 7 November 2009 entered into between the Company, BPL and Shandong Zhi Xiang in relation to the Acquisition as more particularly set out under the section headed "The Equity Transfer Agreement Dated 7 November 2009" in this Circular
"Existing General Mandate"	the general mandate approved by the Shareholders at the AGM to grant to the Directors the authority to issue and allot up to 20% of the then issued share capital of the Company as at the date of the AGM

"Existing Scheme Mandate Limit"	the total number of Shares which may be issued upon exercise of all the Share Options to be granted by the Board under the Share Option Scheme to subscribe for up to 10% of the Shares then in issue as at 14 March 2008, being the date of passing of the relevant ordinary resolution. If the Existing Scheme Mandate Limit is to be refreshed, the total number of Shares which may be issued upon exercise of all the Share Options to be granted must not in aggregate exceed 10% of the Shares then in issue as at the date of the EGM
"Exploration License(s)"	the exploration license(s) held by Xianglan Brazil to identify prospective deposits of mineral substances in the Bahia State of Brazil. Details of which are set out under the heading "Information on Xianglan Brazil" in this Circular
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	The Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Hill Talent"	Hill Talent Limited, a company incorporated in the British Virgin Islands and wholly-owned by BPL
"Independent Board Committee"	the independent committee of the Board comprising only the independent non-executive Directors, namely, Mr. Chan Chun Wai, Tony, Mr. Fok Hon and Mr. Ma Gang, which has been established for the purpose of advising the Independent Shareholders in respect of the proposed refreshment of the Existing General Mandate
"Independent Shareholders"	Shareholders other than the controlling shareholder of the Company Mr. He, and his associates
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
"Last Trading Day"	6 November 2009, being the last trading day immediately prior to the suspension of trading in the Shares pending the release of the Announcement
"Latest Practicable Date"	19 February 2010, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained herein
"Mineral Resources"	the manganese deposits to be identified pursuant to the three Exploration Licenses held by Xianglan Brazil, details of which are set out under the section headed "Information on Xianglan Brazil" of this Circular

"MME"	the Ministry of Mines and Energy in Brazil
"Mr. He"	Mr. He Xuechu, the Chairman and a substantial shareholder of the Company, holding 74.27% interest in the issued share capital of the Company as at the Latest Practicable Date
"New General Mandate"	the mandate proposed to be sought at the EGM to authorize the Directors to allot, issue and deal with the Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM
"New Scheme Mandate Limit"	the total number of Shares which may be issued upon exercise of all Share Options to be granted by the Board under the Share Option Scheme to subscribe for up to 10% of the Shares in issue as at the date of the EGM
"Nuada"	Nuada Limited, a licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the refreshment of the Existing General Mandate
"Official Gazette"	the official gazette which publishes information with regard to the activities of the Brazilian legal system and is circulated throughout Brazil
"Possible Acquisition"	the possible acquisition by the Company from VNN of the SAM Shares as contemplated in the memorandum of undertaking
"PRC"	the Peoples' Republic of China
"Reorganisation"	the reorganisation undertaken by Shandong Zhi Xiang under which 66% legal and beneficial interests in Xianglan Brazil had been transferred to Hill Talent, a direct wholly-owned subsidiary of Shandong Zhi Xiang, details of which are set out in the shareholding structure under the heading "Information on Xianglan Brazil" in this Circular
"Sale Shares"	the entire issued share capital of Hill Talent upon completion of the Reorganisation

"SAM"	Sul Americana de Metais S.A., a company incorporated in Brazil and a wholly-owned subsidiary of VNN
"SAM Shares"	the entire issued share capital of SAM
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Shandong Zhi Xiang"	Shandong Zhi Xiang Trading Limited, a company incorporated in the PRC
"Share(s)"	ordinary share(s) of HK$0.001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Share Option(s)"	option(s) to subscribe for Share(s) pursuant to the Share Option Scheme
"Share Option Scheme"	the share option scheme adopted by an ordinary resolution of the Shareholders passed on 20 December 2001
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meanings ascribed to it under the GEM Listing Rules
"Target Group"	Hill Talent and Xianglan Brazil
"VNN"	Votorantim Novos Negócios Ltda., a company incorporated in Brazil and the venture capital/new business development division of Grupo Votorantim, one of Latin America's largest industrial conglomerates
"Xianglan Brazil"	Xianglan Do Brasil Mineração Ltda, a company incorporated in Brazil and was owned as to 87.8909% by Shandong Zhi Xiang prior to the Reorganisation
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"%"	per cent.

Note: For the purpose of this Circular, the exchange rate of BRL 1 = HK$4.50 has been used for currency translation where applicable. Such exchange rate is for illustration purposes and does not constitute representation that any amount in HK$ could have been or could be converted at the above rate 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 Li Xin

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

Principal Place of Business in Hong Kong:
Suite 2703, 27/F
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

24 February 2010

To the Shareholders

Dear Sir or Madam,

(I) VERY SUBSTANTIAL ACQUISITION
(II) REFRESHMENT OF EXISTING GENERAL MANDATE
(III) REFRESHMENT OF EXISTING SCHEME MANDATE LIMIT

INTRODUCTION

Reference is made to the announcement of the Company dated 12 November 2009 in which the Company announced that, inter alias, the Company as the purchaser entered into the Equity Transfer Agreement with BPL as the vendor and Shandong Zhi Xiang as the guarantor pursuant to which the Company has conditionally agreed to acquire and BPL has conditionally agreed to sell the Sale Shares at a consideration of HK$880,000,000.

The purposes of this Circular are to provide the Shareholders with (i) further information on the Acquisition; (ii) information regarding the proposed refreshment of the Existing General Mandate; (iii) information regarding the proposed refreshment of the Existing Scheme Mandate Limit; (iv) notice of the EGM; and (v) other information required under the GEM Listing Rules.

THE EQUITY TRANSFER AGREEMENT DATED 7 NOVEMBER 2009

Parties

Purchaser	:	the Company
Vendor	:	BPL
Guarantor	:	Shandong Zhi Xiang

To the best of the directors' knowledge, information and belief having made all reasonable enquiries, BPL and Shandong Zhi Xiang and the ultimate beneficial owners of each of BPL and Shandong Zhi Xiang are third parties independent of the Company and its connected persons.

Assets to be transferred:

Pursuant to the Equity Transfer Agreement, the Company has conditionally agreed to purchase and BPL has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of Hill Talent, free from encumbrance and together with all rights now or thereinafter attached thereto on or after the Completion Date.

Upon Completion, Hill Talent will become a direct wholly-owned subsidiary of the Company whereas Hill Talent will hold 66% of the legal and beneficial interests in Xianglan Brazil.

Consideration

The Consideration will be satisfied by way of (i) the allotment and issue of 600,000,000 Consideration Shares at HK$0.80 each at an aggregate value of HK$480,000,000; and (ii) the issue of the CN in the principal amount of HK$400,000,000 to BPL or parties nominated by BPL. The Consideration was determined after arm's length negotiation between BPL and the Company taking into consideration of the estimated potential manganese resources of the 3 Exploration Licenses of approximately 8.265 million tonnes (based on estimation contained in a pre-feasibility report provided by Xianglan Brazil) and the opportunity to participate in the resources-related industry with a potential to be engaged in mineral trading. The Consideration Shares and the CN are subject to a lock-up period of 24 months from the date of issuance of the Consideration Shares and the CN (the "**Lock-Up Period**"). During the Lock-Up Period, the holders of the Consideration Shares and the CN cannot sell, transfer or dispose of the Consideration Shares and the CN. The Consideration Shares and the CN will be deposited with an independent escrow agent and the Company and BPL will enter into an escrow agreement with the independent escrow agent in this regard.

The above mentioned Lock-Up Period will end upon occurrence of any one of the following circumstances:

(1) when the shareholding of Mr. He Xuechu and the companies under his control (direct and indirect) in the Company falls below 30%, or such other percentage which triggers a mandatory general offer pursuant to The Hong Kong Codes on Takeovers and Mergers, whichever is lower;

(2) when Mr. He ceases to be an executive Director of the Company;

(3) upon receipt of a general offer from any party by the Company; or

(4) when the Company agrees to end the Lock-Up Period at an earlier date.

Guarantee

Shandong Zhi Xiang guarantees the due performance of BPL's obligations under the Equity Transfer Agreement.

Conditions Precedent to the Equity Transfer Agreement

Completion of the Equity Transfer Agreement is conditional upon, amongst other things, satisfaction of the following conditions precedent:

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

(ii) the Stock Exchange having granted the approval of the listing of and permission to deal in the Consideration Shares and the Conversion Shares to be issued on conversion of the CN;

(iii) all necessary consents and approvals in relation to the transactions contemplated under the Equity Transfer Agreement having been obtained by BPL and such consents and approvals should be valid up to the Completion Date and there has been no rules or regulations imposed by the relevant authorities to forbid or seriously delay the sale of the Sale Shares under the Equity Transfer Agreement and the Completion; or that will constitute material or adverse effect to Hill Talent upon Completion;

(iv) completion of the Reorganisation;

(v) the Certificate of Incumbency and the Certificate of Good Standing of Hill Talent having been provided to the Company and such certificates should not be dated earlier than 7 days before the Completion Date;

(vi) the Company being satisfied with the result of the due diligence reviews on amongst other things, the assets (including but not limited to the exploration rights hold by Xianglan Brazil), liabilities, operation, tax, accounts and legal aspects in relation to the Target Group;

(vii) the Company having received and being satisfied with the legal opinion issued by a Brazil legal adviser specialized in the Brazilian mining laws and corporate laws (the costs of preparing such legal opinion shall be borne equally by the Company and BPL);

(viii) all warranties given by BPL (including but not limited to the successful extension of the Exploration Licenses held by Xianglan Brazil for the next three years) remaining true and accurate in all respects and not misleading;

(ix) issue of a technical report by an independent technical adviser showing the level of manganese reserve of the Mineral Resources acceptable to the Company;

(x) issue of a valuation report by an independent valuer showing a valuation of Xianglan Brazil at not less than HK$1,000 million; and

(xi) no material breach of the terms and conditions of the Equity Transfer Agreement by BPL before the Completion Date.

The Company may waive in writing all or any of the above conditions (except (i) and (ii)). If the above conditions have not been fulfilled or waived on or before 180 days from the date of the Equity Transfer Agreement or such other date as the Company and BPL may agree, the Equity Transfer Agreement shall be deemed to be terminated and neither party shall have any claims whatsoever against the other in connection therewith (save and except claims against breach of confidential obligation).

As at the Latest Practicable Date conditions (iv), (v), (vi), (vii), (ix) and (x) have been fulfilled.

Condition (ix) has been fulfilled by the issue of the Evaluation Report (as defined in the section headed Information on Xianglan Brazil of this Letter from the Board) and condition (x) has been fulfilled by the issue of the valuation report by Roma Appraisals Limited, an independent valuer as set out in Appendix V of this Circular.

Completion

Completion of the Equity Transfer Agreement will take place on the 7th business day after the date on which the conditions precedent of the Equity Transfer Agreement are fulfilled or as the case may be waived, or such other date as the parties to the Equity Transfer Agreement may agree in writing.

THE CONSIDERATION SHARES

The issue price for each of the Consideration Shares is HK$0.80 per Share, which has been determined by the parties with reference to the average closing price of the Shares for the last 5 days and 10 days up to and including the Last Trading Day, representing:

- a discount of approximately 66.94% to the closing price of HK$2.42 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

- a discount of approximately 5.88% to the closing price of HK$0.85 per Share as quoted on the Stock Exchange on the Last Trading Day;

- a discount of approximately 3.85% to the average closing price of HK$0.832 per Share for the five consecutive trading days up to and including the Last Trading Day;

- a discount of approximately 0.5% to the average closing price of HK$0.804 per Share for the ten consecutive trading days up to and including the Last Trading Day;

- a premium of approximately 189.488% over the unaudited consolidated net asset value per Share as at 30 June 2009 (calculated by dividing the net asset value of the Company as at 30 June 2009 by the number of issued shares as at the Latest Practicable Date) of approximately HK$0.0042.

The Consideration Shares represent approximately 10.88% of the existing issued share capital, and approximately 9.81% of the enlarged issued share capital of the Company as enlarged by the issue of the Consideration Shares. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

RANKING OF CONSIDERATION SHARES

The Consideration Shares, when issued and allotted, will rank pari passu in all respects with the existing Shares then in issue.

THE CN

The Company will issue the CN to BPL in the principal amount of HK$400,000,000 as part of the Consideration for the Acquisition. Based on the conversion price of HK$1.00 per Conversion Share and assuming full conversion of the CN at the conversion price of HK$1.00, the CN will be convertible into 400,000,000 Conversion Shares, representing approximately 7.25% of the issued share capital of the Company as at the Latest Practicable Date and approximately 6.76% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. No application will be made for the listing of the CN on the Stock Exchange or any other stock exchange. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued upon conversion of the CN.

PRINCIPAL TERMS OF THE CN

The principal terms of the CN are summarized as follows:

Issuer	The Company
Principal Amount	The principal amount of the CN will be HK$400,000,000
Form and Denomination	In registered form and in denominations of HK$50,000,000

Coupon Rate	Zero Coupon
Maturity Date	The CN is due and will mature on the day falling on the fifth (5th) anniversary of the date of issuance of the CN ("**Maturity Date**")
Restricted Period	The CN shall not be transferable, convertible or redeemable, during the period of 24 months from (and inclusive of) the issue date of the CN ("**Restricted Period**")
Conversion Period	From the date immediately after the expiry of the Restricted Period up to (but excluding) the third (3rd) business day before the Maturity Date (the "**Conversion Period**")
Initial Conversion Price	Initial conversion price at HK$1.00 per CN ("**Initial Conversion Price**"). The Initial Conversion Price is subject to adjustment upon the Shares becoming of a different nominal amount by way of consolidation or subdivision, issue of Shares by way of capitalisation of profits or reserves, and capital distribution by the Company.
Conversion Rights	The holder of the CN shall have the right to convert the CN into the Shares after the Restricted Period. The conversion rights shall only be exercisable so long as the public float of at least 25 per cent of the issued share capital of the Company as enlarged by the issue of Conversion Shares can be maintained. In the event that the public float of at least 25 per cent cannot be maintained as a result of the noteholder's exercise of the conversion rights hereunder on the Maturity Date, the noteholder's conversion right hereunder shall be extended for a term of two years immediately after the Maturity Date.
Redemption	The CN is not redeemable by the noteholder. The Company shall have the right to redeem any portion of the CN outstanding at an amount equals to the principal amount of the CN in its sole and absolute discretion at any time and from time to time prior to the Maturity Date.

Ranking of Conversion Shares upon conversion of the CN	The Conversion Shares which will be allotted and issued upon conversion of the CN shall rank pari passu with the Shares then in issue.
Events of Default	If any of the following events occurs, the noteholder may give notice to the Company that the CN is, and it shall on the giving of such notice immediately become due:

(a) the Company defaults in performance or observance or compliance with any of its other obligations set out in the terms and condition of the CN and is incapable of remedy or, if capable of remedy, is not in the reasonable opinion of the noteholder remedied within twenty one business days after notice of such default shall have been given to the Company by such noteholder; or

(b) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any part of the undertaking, property, assets or revenues of the Company or its operating subsidiaries, and which are material to the Group's business, operations, assets, financial condition; or

(c) the Company becomes insolvent or is unable to pay its debts as they mature or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or the whole or any part of the undertaking, property, assets or revenues of the Company or takes any proceeding under any law for a readjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or compromise with or for the benefit of its creditors; or

(d) an order is made or an effective resolution passed for winding-up of the Company or any of its major subsidiaries except in the case of winding-up of subsidiaries in the course of internal reorganisation; or

(e) a moratorium is agreed or declared in respect of any indebtedness of the Company or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company; or

(f) the Shares (as a class) cease to be listed on the Stock Exchange or a recognised stock exchange or the trading of the Shares are suspended by the Stock Exchange (for reasons other than clearance of announcement as required by the GEM Listing Rules) for a continuous period of twenty one trading days; or

(g) any other bonds, debentures, notes or other instruments of indebtedness or any other loan indebtedness having an aggregate outstanding amount of at least HK$10,000,000 of the Company or any of its subsidiaries become or becomes prematurely repayable following a default in respect of the terms thereof which shall not have been remedied, or steps are taken to enforce any security therefor, or the Company or any of its subsidiaries defaults in the repayment of such indebtedness at the maturity thereof and which will constitute a material adverse effect on the Group's business, operations, assets, financial condition.

Governing Law	Hong Kong law

SPECIFIC MANDATE

The Consideration Shares and the Conversion Shares shall be allotted and issued pursuant to a specific mandate to be granted to the Directors which will be sought from the Shareholders in the forthcoming EGM, and such specific mandate shall not affect any general mandate which have been granted to the Directors. The Company will apply to the Stock Exchange for the approval of the listing of and permission to deal in the Consideration Shares and the Conversion Shares.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the financial results of Xianglan Brazil will be consolidated into the financial statements of the Group.

The financial impact of the Acquisition is illustrated by way of unaudited pro forma financial information of the Group as included in Appendix IV to this Circular.

Based on the audited consolidated financial statements of the Group for the year ended 31 December 2008, the total assets and total liabilities of the Group as at 31 December 2008 were approximately HK$137.7 million and HK$106.9 million respectively. Assuming the Acquisition were completed by 31 December 2008, the unaudited pro forma total assets and unaudited pro forma total liabilities of the Group after the Acquisition would amount to approximately HK$1,469.2 million and HK$758.2 million respectively, representing an increase of approximately 967% in the case of total assets and 609% in the case of total liabilities from those set out in the audited consolidated financial statements of the Group for the year ended 31 December 2008. Based on the audited consolidated financial statements of the Group for the year ended 31 December 2008, the loss attributable to equity holders of the Company amounted to approximately HK$15.7 million. Assuming the Acquisition were completed on 1 January 2008, the unaudited proforma loss attributable to equity holders of the Company would be approximately HK$48.8 million, representing an increase of approximately 211% from the amount as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2008.

According to HKFRS 3 Business Combinations, the acquired assets and liabilities should be recognised at fair values at the acquisition date. For the preparation of the pro forma financial information, the fair value of the assets and liabilities of Xianglan Brazil is estimated by reference to the fair value of the cost of investment (the "Investment Valuation") on the ground that, in view of the existing status of exploration and availability of the source of the information, the directors of the Company considered the Investment Valuation is the most appropriate and reasonable basis of assessment of the fair values of assets and liabilities of Xianglan Brazil. Excess of the fair value of the cost of investment over the fair value of the assets and liabilities of Xianglan Brazil is recognised in the unaudited pro forma consolidated balance sheet as a fair value adjustment to intangible assets – "exploration and evaluation assets" together with the related deferred tax liabilities and minority interest. On completion of the Acquisition, the fair values of the assets and liabilities of Xianglan Brazil will be reassessed and accordingly, their fair values at the date of the Acquisition will probably be different from those for the preparation of this pro forma financial information. Accordingly, the actual goodwill at the date of the completion of the Acquisition may be different from that presented above. The intangible assets will be subject to reassessment by the Directors in the future financial year end.

As at the Latest Practicable Date, two of the three Exploration Licenses have expired. For the preparation of the pro forma financial information, no impairment on intangible assets – "exploration and evaluation assets" was made. The directors of the Company are of the opinion that Xianglan Brazil will be able to renew the exploration licenses with the relevant government authorities continuously because there are no material legal obstacles for Xianglan Brazil to renew the exploration licenses based on the legal opinion of the Company's Brazilian legal advisers.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structures of the Company as at the Latest Practicable Date and upon completion of the Acquisition:

	As at the Latest Practicable Date		Upon completion of the Acquisition but before conversion of the CN		Upon completion of the Acquisition and after full conversion of the CN	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Hong Bridge Capital Limited *(Note 1)*	4,095,000,000	74.27%	4,095,000,000	66.98%	4,095,000,000	62.87%
Public:						
Gui Shengyue	300,000,000	5.44%	300,000,000	4.91%	300,000,000	4.61%
BPL *(Note 2)*	–	0.00%	600,000,000	9.81%	1,000,000,000	15.35%
Other public Shareholders	1,118,883,716	20.29%	1,118,883,716	18.30%	1,118,883,716	17.17%
	5,513,883,716	100.00%	6,113,883,716	100.00%	6,513,883,716	100.00%

Notes:

(1) Hong Bridge Capital Limited is wholly-owned by Mr. He, the Chairman and a Director of the Company.

(2) Upon full conversion of the CN, BPL may become a substantial shareholder of the Company. Pursuant to the terms and conditions of the CN, the conversion rights shall only be exercisable so long as the public float of at least 25 per cent of the issued share capital of the Company as enlarged by the issue of Conversion Shares can be maintained.

INFORMATION ON XIANGLAN BRAZIL

Xianglan Brazil is a company incorporated in Brazil. Its principal activity is the identification and exploration of mineral resources, process, sales and import and export of mineral resources. Xianglan Brazil holds the following three Exploration Licenses in the Bahia State of Brazil.

Xianglan Brazil is looking for opportunity in the trading of mineral products. As at the Latest Practicable Date, Xianglan Brazil has not yet commenced any large scale exploration and other business nor has it prepared or submitted any exploration report on the Mineral Resources for the purposes of applying for a mining concession.

	Exploration Licenses:	**Duration:**
1	DNPM NO.872.734/2006, covering 2,000 hectares	From 29 December 2006 to 29 December 2009 *(Note 1, 2)*
2	DNPM NO.872.958/2006, covering 2,000 hectares	From 29 December 2006 to 29 December 2009 *(Note 1, 2)*
3	DNPM NO.870.140/2007, covering 1,757.08 hectares	From 23 April 2007 to 23 April 2010 *(Note 1, 2)*

Note:

1. Based on the information provided by Xianglan Brazil, it has applied for an extension of the Exploration License for a period ranging from one to one and a half years and the extension is yet to be granted by the DNPM as at the Latest Practicable Date. However, as advised by the Company's Brazilian lawyers, once the application for extension has been filed, the Exploration License will remain in force without any lapse until the DNPM refuses the request for an extension. The Company envisages that an extension of the Exploration License for a period of at least one year would be granted by the DNPM.

2. Under Brazilian mining rules and regulations, further extension(s) of the Exploration License (after the expiry of the one to one and a half years extension now applied for) may be granted, subject to the discretion of the DNPM.

If Xianglan Brazil fails to obtain extension of the Exploration Licenses before Completion, such failure will constitute a breach of representation and warranty on the part of BPL in the Equity Transfer Agreement and as a result of which, the Company shall have the right to terminate the Equity Transfer Agreement. Based on the legal opinion of the Company's Brazilian legal advisers, there are no material legal obstacles for Xianglan Brazil to renew the Exploration Licenses.

Based on the information provided by Xianglan Brazil, the total area covered by the three Exploration Licenses is 5,757.08 hectares and within these three separate areas, some manganese mine ore has been exposed, some are shallow mines, trenches and some are abandoned mining holes and roads.

Based on the information provided by Xianglan Brazil, it is initially estimated that the sizes of the three main ore bodies are (representing in length X width X thickness): 2,500 meter X (100 to 300) meter X 10 meter, 3,000 meter X 300 meter X 10 meter and 2,500 meter X 200 meter X 10 meter, respectively. Based on the result of the preliminary geological site test and the sample test on the exposed manganese mine ore, plus other test results from local geological experts, the average grade for the manganese mine ore is 45%.

The preliminary geological site test and the sample test on the exposed manganese mine ore were carried out by an independent geological company, which formed basis of a preliminary data evaluation report in relation to the Mineral Resources (the "Evaluation Report") provided by an independent technical adviser (the "Technical Adviser") in November 2009. The independent review by the Technical Adviser does not represent a full technical due diligence based on common mineral reporting standard of the projects and no site visit has been performed. Therefore the level of certainty of the Evaluation Report is lower than a full technical due diligence based on common mineral reporting standard. Common mineral reporting standards (e.g. JORC Code) requires drilling of holes to reach a certain level of density, i.e. to have certain number of drilled holes to qualify in forming an opinion on whether the resources reach "inferred", "indicated" or "measured" level of certainty as defined in the JORC Code. The methods and assumptions used by the Technical Adviser's Evaluation Report is the same as those in common mineral reporting standards. The only difference is that the number of drilled holes has not reached the minimum number as required by those standards and as such the Evaluation Report can only be regarded as preliminary estimation. Additional drillings would be required in order for the Technical Adviser to report on a common mineral reporting standard. The Technical Adviser is a global specialist consultancy firm which provides a wide range of technical services and products to all sectors of the international mining industry. The Technical Adviser has over 50 years of experience and has provided consulting services in the mining industry for more than 70 countries.

Based on the Evaluation Report provided by the Technical Adviser in November 2009, the estimated maximum total exploration potential reserves in relation to the Mineral Resources is 6.8 million tonnes.

The following table as set out in the Evaluation Report compiles the figures of the potential resource estimation of all manganese trends presented by the geological mapping of the areas covered under the three Exploration Licenses:

Area	Manganese Trends	Extension estimated *(m)*	Width From *(m)*	Width To *(m)*	Depth *(m)*	Volume From *(m^3)*	Volume To *(m^3)*	Density in situ	Potential Run-of-Mine (ROM) tonnes From	Potential Run-of-Mine (ROM) tonnes To
1	A	300	15	50	24.0	108,000	360,000	1.80	194,400	648,000
1	B	200	15	50	24.0	72,000	240,000	1.80	129,600	432,000
2	A	200	15	50	24.0	72,000	240,000	1.80	129,600	432,000
2	B	250	15	50	24.0	90,000	300,000	1.80	162,000	540,000
2	C	350	15	50	24.0	126,000	420,000	1.80	226,800	756,000
2	D	300	15	50	24.0	108,000	360,000	1.80	194,400	648,000
2	E	150	15	50	24.0	54,000	180,000	1.80	97,200	324,000
2	F	200	15	50	24.0	72,000	240,000	1.80	129,600	432,000
3	A	500	15	50	24.0	180,000	600,000	1.80	324,000	1,080,000
3	B	350	15	50	24.0	126,000	420,000	1.80	226,800	756,000
3	C	350	15	50	24.0	126,000	420,000	1.80	226,800	756,000
							Total		**2,041,200**	**6,804,000**

The estimated maximum total exploration potential reserves of 6.8 million tonnes is different from the figure of 8.265 million tonnes as disclosed in the Announcement, which was an estimation provided by Xianglan Brazil based on the pre-feasibility report prepared by Xianglan Brazil. In determining the Consideration, the Company has engaged the Technical Adviser to perform a preliminary data evaluation on the potential resources. The Evaluation Report disclosed that if it takes into account the positive geological characteristics of the mineralization, which presents significant high grade manganese, associated with barite and other anomalous metals, the presence of primary carbonate-silica hard rock manganese formation, the deep weathered regional soil profile, the context of a traditional regional mining district with more than 100km North-Northeast extension still under explored, the Technical Adviser consider that with more geological works it might be possible to increase the mineral resources up to 8 million tonnes.

Scope under review in the Evaluation Report include a revision on the exploration work executed by Xianglan Brazil in 2009 based on a preliminary report (MARES GEEOLOGIA MINERAÇÃO E ENGENHARIA LTDA. – RELATÓRIO FINAL MARCO 2 E 3A-august 2009) which include regional reconnaissance field work, a semi-detailed geological mapping in 1:25,000 scale, excavation of 10 small pits and 2 small trenches, drilling of 7 vertical holes up to a maximum of around 50m and a total of 286.98m, geological studies and drill core sampling, with 42 samples analysed at ACME laboratory in Brazil and Vancouver and 5 samples analysed at the USP laboratory in Sao Paulo.

The exploration potential has been assessed based on the 11 mineralised zones of the Manganese Resources, with data on length of extension estimated, width, depth, volume and density in situ for every mineralised zone. The minerability of the manganese resources is assumed to be good as the surrounding region has a reasonable infrastructure, is close to paved roads and a port. Moreover, a good continuity of the mineralisation would project a total 3,150m length of the 11 mineralised zones. Yet, at the Latest Practicable Date, the Company has not conducted any feasibility study in relation to the geological work required to increase the resources up to 8 million tonnes.

The Directors are of the view that the Evaluation Report is sufficient for the Directors to form the Acquisition decision given that:

(1) The Technical Adviser is listed on the Australian Securities Exchange and forms part of the S&P/ASX 300 and is a leading global professional services consultancy focusing on both physical and social infrastructure and involves a wide range of built assets – like roads, buildings, gas pipelines, mines, and sporting facilities;

(2) the Consideration will be settled by way of issue of Consideration Shares and CN which enables sufficient funding for the Acquisition without utilizing the cash of the Company;

(3) Roma Appraisals Limited, an independent valuer, has prepared the valuation of Xianglan Brazil in accordance with the appropriate valuation methodology based on the Evaluation Report prepared by the Technical Adviser. The Directors considers that the valuation and the basis of the valuation to be reasonable;

(4) The valuation of Xianglan Brazil based on the valuation prepared by Roma Appraisals Limited as at 31 December 2009 was US$143 million (approximately HK$1,115 million), which is higher than the valuation required by the Directors at not less than HK$1,000 million per condition (x) to the Equity Transfer Agreement and is also higher than the Consideration for the Acquisition of HK$880 million.

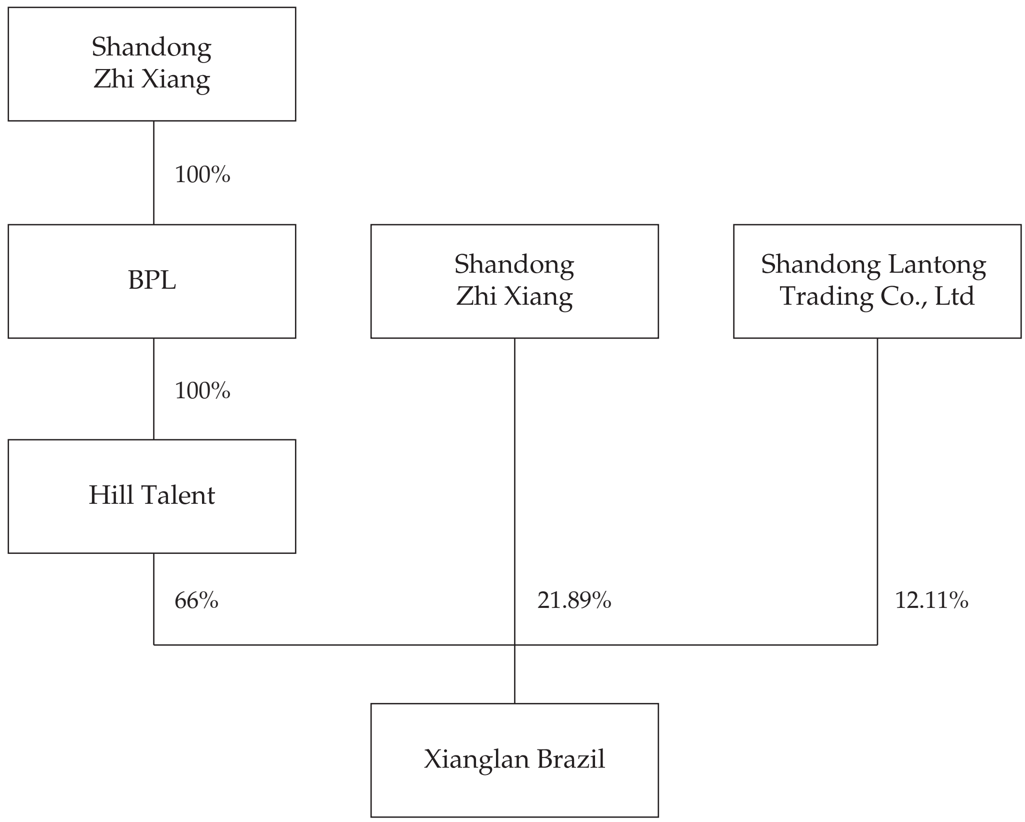
Prior to the Reorganisation, Xianglan Brazil was 87.8909% owned by Shandong Zhi Xiang. As at the Latest Practicable Date, Shandong Zhi Xiang has completed the Reorganisation to transfer 66% interest in Xianglan Brazil to Hill Talent.

As at the Latest Practicable Date, Xianglan Brazil is in the process of negotiating and finalising the terms for the acquisition of an iron ore mine in Brazil. The target asset is situated in Rio De Contas city, Bahia state of Brazil covering an area of 1,999.73 hectares. It is expected that no agreement in relation to such acquisition will be signed before Completion.

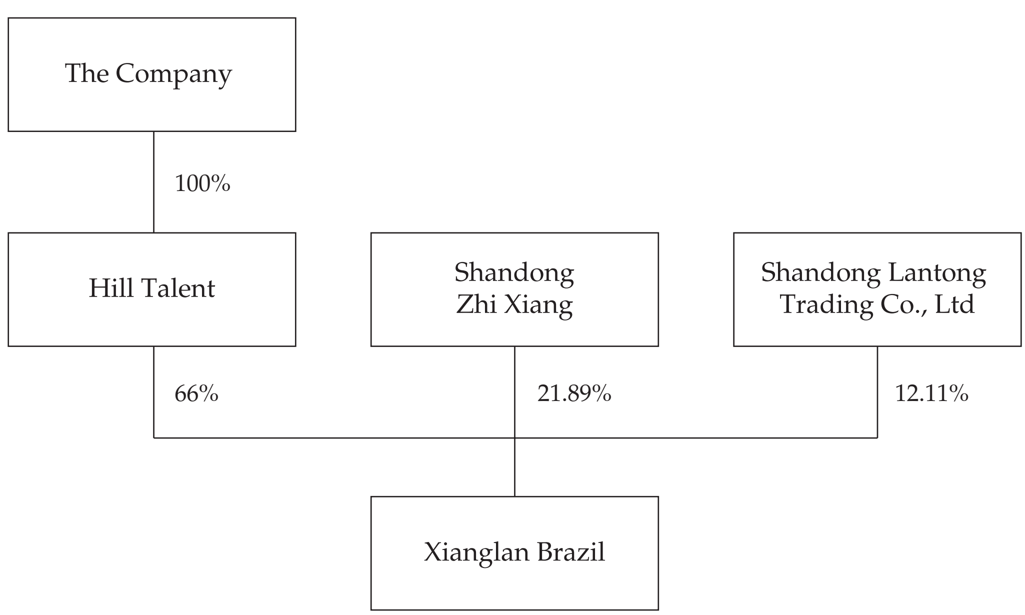
Shandong Zhi Xiang is a company incorporated in the PRC. Its principal activities are trading of electrical and engineering products, spare parts for mining, metals material; investment; and import and export trading.

As at the Latest Practicable Date and as a result of the Reorganisation, Hill Talent has been incorporated in the British Virgin Islands with limited liability and is an investment holding company. Hill Talent is 100% owned by BPL. Save for the holding of the 66% of the issued share capital of Xianglan Brazil, Hill Talent does not and will not hold any other investments.

The shareholding structure of Xianglan Brazil upon completion of the Reorganisation but before Completion is as follows:



The shareholding structure of Xianglan Brazil upon Completion is as follows:



Financial information

Xianglan Brazil was incorporated in Brazil on 11 November 2008.

Set out below is certain key financial information prepared under International Financial Reporting Standards for the period from 11 November 2008 (date of incorporation) to 31 December 2008 and the period from 1 January 2009 to 31 October 2009 extracted from the accountant's report of Xianglan Brazil, as set out in Appendix II to this Circular.

HK$'000	Period from 11 November 2008 (date of incorporation) to 31 December 2008	Ten months ended 31 October 2009
Revenue	–	–
Loss before income tax	–	(1,872)
Loss for the period	–	(1,872)

Note: Financial statements prepared in accordance with International Financial Reporting Standards

The audited net assets of Xianglan Brazil as at 31 December 2008 and 31 October 2009 was HK$nil and HK$2,037,000, respectively. As disclosed in the Announcement, the net assets of Xianglan Brazil as at 31 October 2009 was BRL5,304,000 (approximately HK$23,868,000), excluding the 3 Exploration Licenses. The reconciliation of net assets of Xianglan Brazil as at 31 October 2009 is as follows:

	HK$'000
Net assets disclosed in Announcement	23,868
Less: Reclassified shareholder's loan from shareholder's equity to current liability	(20,182)[1]
	3,686
Net assets disclosed in accountants' report	2,037
Difference	1,649[2]

Notes:

1. That amount has subsequently been transferred to paid up capital of Xianglan Brazil on November 2009.

2. The difference of HK$1,649,000 was mainly arising from the under-provided expenses in the unaudited management accounts as at 31 October 2009 and the different exchange rate used in the Announcement and the accountants' report. The exchange rate of BRL 1 = HK$4.5 has been used for currency translation in the Announcement and the exchange rate of BRL 1 = HK$4.3751 has been used for currency translation in the accountants' report.

The reconciliation on loss before and after tax of Xianglan Brazil for the period from 11 November 2008 (date of incorporation) to 31 October 2009 is as follows:

	HK$'000
Loss before and after tax disclosed in announcement	(3,528)
Loss before and after tax disclosed in accountants' report	(1,872)
Difference	(1,656)*

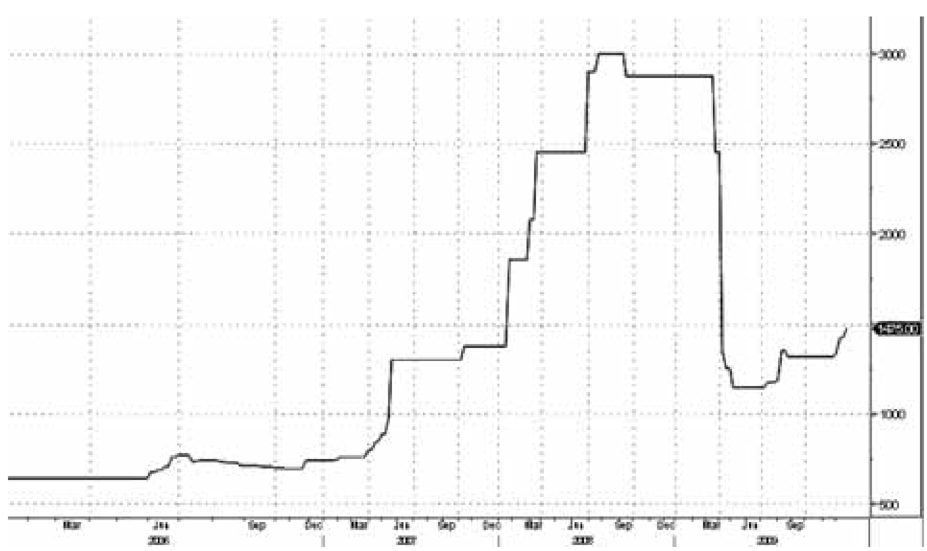
* The difference of loss of HK$1,656,000 was mainly arising from the capitalisation of the exploration related expenses, which were previously charged to the income statement by Xianglan Brazil, as intangible assets – "exploration and evaluation assets" under the HKFRS 6, and the different exchange rate used in the Announcement and the accountants' report. The exchange rate of BRL 1 = HK$4.5 has been used for currency translation in the Announcement and the exchange rate of BRL 1 = HK$3.7515 has been used for currency translation in the accountants' report.

INDUSTRY OVERVIEW

Introduction

Over 80% of global manganese production is consumed by steel production. Therefore, its consumption is mainly derived from steel demand and has a direct influence from the steel industry. Steel production has been increasing since 2006, until the global financial crisis struck in 2008 which significantly affected worldwide demand for steel. As the global economy recovers, worldwide steel production is on an upward trend once again and therefore the demand for manganese will also increase at the same time. The following chart shows the freight on board price of the High Carbon Ferromanganese ("HC FeMn") alloy, which contains the highest manganese content of all manganese alloys, at main PRC ports from 2006 to 2009, and illustrates the trend of global manganese price over the period:

Freight On Board Price of HC FeMn Alloy At Main Ports in the PRC in US$/tonne



Source: Bloomberg

Demand for steel has been rising due to the ongoing economic boom leading to rapid growth in various industries in the PRC and India, the world's two largest populous countries in Asia, with simultaneous increase in production leading to wide fluctuations in steel prices. As there are presently no close substitutes to manganese, the demand for manganese as an ingredient in steel production will therefore increase at the same time. The world average amount of manganese alloyed into iron production is about 10 kilogram per tonne, and this is also dependent on the product types and the technological progress of different countries. According to the International Manganese Institute, the estimated world demand for manganese ore was about 13.6 million tonnes in 2008, approximately 4.2% higher than that of the previous year.

According to the Valuation Report as set out in Appendix V of this circular, total world production of manganese alloys amounted to 13.7 million tonnes in 2008, a 3% increase from that of the previous year. The cost of producing manganese had been rising throughout the year 2008. PRC was the top manganese producing country in 2008, followed by South Africa. Brazil, which accounted for 9% of world production, was ranked the fifth on the list. The following table shows the top manganese producers in 2008:

Country	**Production ('000 tonnes)**	**Share of World Production**
PRC	3,400	24%
South Africa	3,000	21%
Australia	2,300	16%
Gabon	1,600	11%
Brazil	1,300	9%
India	826	6%
Ukraine	688	5%

Source: International Manganese Institute

Political structure of Brazil

As advised by the legal advisers to the Company as to Brazilian law, Brazil, being the largest country in South America, is a federal republic comprising 26 states and one Federal District where Brasilia, the capital of the country, is situated. Each state has its own government, with a structure that mirrors the federal level. The head of the state executive is the governor elected by vote. The executive and legislative branches of government are organized independently in each state. At the municipal level there are municipal councils, which are autonomous in local affairs.

The form of government in Brazil is that of a democratic republic, with a presidential system with three independent powers: the executive, the legislative power and the judicial powers. The executive is headed by the president, who is elected for a four-year term, with the possibility of re-election for a second successive term. The president appoints cabinet ministers who are directly responsible to him and who may be dismissed at any time. The current president is Luiz Inacio Lula da Silva who was elected in 2002 and re-elected in 2006. The Legislative is the National Congress with its two houses, i.e. the Chambers of Deputies and the Federal Senate, both with members directly elected. The judicial powers are vested in the Federal Supreme Court, which is at the apex of the judicial system. Brazilian law is based on Roman-Germanic traditions and civil law concepts prevail over common law practice.

Economic structure of Brazil

As advised by the legal advisers to the Company as to Brazilian law, the Brazilian currency is the Reais (R$ or BRL) and currently trades at R$ 1.87 to US$1 (February 9, 2010). The currency has been free floating since early 1999 but the Reais are not traded freely. It is under direct control of the Central Bank, which authorizes financial institutions to operate as registered brokers to conduct transactions in foreign currencies. Prior authorization of foreign currency transactions is not required; however, a record of transaction must be filed with the Central Bank. As all inflows and outflows are authorized through the Central Bank, there are rules governing foreign currency transactions such as capital loans, dividend flow, interest payments, import & export transactions, royalty payments, and services from abroad. Transactions or "contracts" are coded as to their specific purpose, and subsequent treatment of those funds must therefore be consistent with that coding. For example, if a company registers foreign currency it brings in as capital, then this currency would have to be repatriated as dividends rather than as, for example, royalty payments. Failure to adhere to transaction protocol would likely result in penalties administered by the Central Bank.

Its gross domestic product (GDP) at purchasing power parity (PPP) per capita in 2009 was US$10,456, being 77th position according to International Monetary Fund data. Brazil GDP contracted by 1.22% over the last 4 quarters in 2009. The Brazil GDP in 2009 was US$1,613 billion dollars or 2.06% of the world economy according to the World Bank. Brazil is one the fastest growing emerging economies in the world. With large and growing agricultural, mining, manufacturing and service sectors, the Brazil economy ranks highest among all South American countries.

The manganese mining market in Brazil

Brazil is the largest country in South America, with ample resources such as manganese and iron. From the late 1990s to early 2000s, Brazil's mineral and energy sector had undergone market liberalization by allowing competition and increased investments in these markets. However, as the basic infrastructure is limited and the economy of Brazil is still developing, there are a number of mines yet to be explored.

As at the end of 2008, the amount of manganese reserves in Brazil amounted to 57 million tonnes, which ranked 7th worldwide and accounted for approximately 1.1% of the reserves globally according to the Valuation Report as set out in Appendix V of this Circular. The following table shows the manganese ore production in Brazil from 1997 to 2008:

Year	**Production** *('000 tonnes)*
1997	2,124
1998	1,940
1999	1,656
2000	2,192
2001	1,970
2002	2,529
2003	2,544
2004	3,143
2005	3,200
2006	3,128
2007	1,700
2008	1,300

Sources: South America Mineral Production 1997-2006, British Geological Survey (for data from 1997 to 2006), International Manganese Institute (for data from 2007 to 2008)

As shown, the volume of manganese produced increased steadily from 2001 to 2005, but the figure remained low in 2007 and 2008 due to the excessive supply of manganese alloys. Given that there remain a large number of manganese mines that have yet to be explored, the manganese market in Brazil has potential to continue growing in the coming years.

Summary of the relevant mining laws and regulations in Brazil

As advised by the legal advisers to the Company as to Brazilian law, the Brazilian federal government owns all mineral resources existing either in the soil or subsoil of Brazil. Accordingly, any exploration or exploitation of such mineral resources, except for mineral substances used exclusively in construction such as sand or gravel, substances subject to governmental monopoly such as nuclear minerals, and substances extracted from mines patented prior to 16 July 1934, require a grant of concession by the Brazilian federal government.

These concessions essentially consist of prospecting or mine digging permits, exploration licenses and mining concessions, and are granted by the MME through the DNPM, the Brazilian governmental body regulating mining activities.

DNPM has the general discretion to reject any application failing to meet the relevant geographical, geological, technical or procedural criteria, and an application may be refused should it be determined that the exploration or mining activities involved are harmful to the public good or to interests that outweigh the usefulness of exploration or exploitation of the deposits.

The granting of concessions and all other administrative acts of either the MME or DNPM concerning concessions are published in the Official Gazette, which is circulated throughout Brazil. Decisions by the DNPM affecting concessions may be challenged before the MME, and decisions by the MME are subject to review by the courts.

The exploration licenses granted by the DNPM entail a preliminary stage, authorizing lab and field work to perform the necessary geological, geophysical, geochemical survey, excavation, outcropping, drilling and other exploration activities. Upon completion of the exploration work, a detailed report on the explored area's mineral reserves, the characteristics of the mineral substances and the feasibility of exploitation is generally required to be submitted to the DNPM irrespective of the outcome of the exploration. Review of the report by the DNPM takes on average 6 months to 1 year and the approval of such report by the DNPM will generally entitle the holders of the exploration licenses to apply for and be granted the mining concession by the MME.

Upon approval by the DNPM of such report, the holders of the exploration licenses will have one year to apply for the corresponding mining concession and this one year term may be extendable for an additional one year with cause. Application for the granting of a mining concession is made to the MME and must contain detailed geological and geophysical information on the areas concerned, including (i) a description of the mineral deposits to be exploited; (ii) a description of the mining field's topographical location and indication of neighboring concession areas; (iii) a map of the area to be mined, indicating its boundaries and properties affected by the proposed mining, with the names of the respective surface right holders; (iv) reference to any easements that may be required; (v) a working plan for exploitation including a description of the mining method, scale of production and processing facilities; and (vi) proof of sources and availability of sufficient funds to work the mine.

Upon receipt of an application for a mining concession, the DNPM will review it and forward it to be finally reviewed by the MME before the mining concession is granted. There are no specified criteria or standards to the granting of a mining concession as each decision is "taylor-made" to fit a specific context. However, there are some mining rules, such as the Mining Technical Rules, and guidelines issued by the DNPM which it may make references to in coming up with a decision.

The procedures associated with reviewing an application for a mining concession, its grant and other ancillary steps normally take up to 2 years. After the mining concession is granted and published in the Official Gazette, the mining company will have 90 days to apply to the DNPM for investiture in effective possession of the corresponding mineral deposit for which a fee must be paid. Following such application, the mining company will have 6 months to start the preparatory work contemplated in the mine working plan, counted from the publication date of the mining concession in the Official Gazette. Once mining commenced, it may not be interrupted without the authorization of the DNPM for a period longer than 6 consecutive months or otherwise the mining concession may be revoked.

Under the current Brazilian laws, companies in which foreigners hold a direct or indirect interest of 51% or more of the total capital stock may not perform mining or mining-related activities in areas situated within 150 km from the Brazil's borders. Save as such border restriction, there are no limitations on the number of exploration licenses or mining concessions that may be granted to or held by any given company that is incorporated in Brazil whose articles or by-laws permits such mining activities.

PROPOSED DEVELOPMENT PLAN

At the Latest Practicable Date, the Company has three development plans regarding the Mineral Resources and/or the Exploration Licence(s), each of which will be further analysed upon Completion with reference to the conditions in the volatile manganese market. The Company will implement the plan that provides the highest expected return in due course. As the Company will continue to update itself on the rapidly changing market conditions, the adopted plan may change over time depending on whichever is most favourable to the Company.

Plan 1

To resell Xianglan Brazil at a profit in the near future if the selling price is acceptable to the Company

The main advantage of Plan 1 is to minimise the risks associated with the uncertainty of the outcome to develop the Mineral Resources. The Company will then continue to look for appropriate investment opportunities in the energy and resources sector.

Plan 2

To continue the exploration works under the Exploration License(s) presently carried out by Xianglan Brazil and to resell Xianglan Brazil at a higher price with increased proven manganese deposits

Based on the findings of Xianglan Brazil, the Company believes that with more geological work it might be possible to increase the amount of proven manganese deposits. Similarly, with more exploration drillings and sampling, it is likely that these estimated mineral resources will translate into proven mineral resources. With increased proven manganese deposits, Xianglan Brazil will consequently fetch at a higher sale price.

Plan 3

To engage in the mining of the proven Mineral Resources while continuing the exploration works under the three Exploration Licenses

As indicated in the pre-feasibility study conducted by Xianglan Brazil, taking into account the positive geological characteristics of mineralization which presents significant high-grade manganese associated with barite and other anomalous metals, it may be possible to significantly increase the potential mineral resources with more geological work carried out. This is due to the presence of primary carbonate-silica hard rock manganese formation and the deep-weathered regional soil profile, and in the context of a traditional regional mining district with more than 100km NNE extension still under-explored.

As indicated in the pre-feasibility study conducted by Xianglan Brazil, it is estimated that the total cost for the development of the Mineral Resources will be approximately US$29.8 million (approximately HK$231.0 million), which includes US$21.6 million (approximately HK$167.4 million) in capital expenditure, US$5.2 million (approximately HK$40.3 million) in exploration and exploitation costs, and US$3.0 million (approximately HK$23.3 million) in required working capital. This estimated total cost of development covers the drilling of 200 100-metre deep holes and conducting 700 metallurgical tests. Based on the pre-feasibility study, approximately 60 employees are required in the exploration stage and approximately 160 employees are required in the exploitation stage.

Should this plan be adopted, Xianglan Brazil will use its best endeavour to procure the relevant mining concession(s).

As at the Latest Practicable Date, the Company did not have sufficient financial resources to implement Plan 2 and Plan 3 above. Taking this into consideration, the Directors consider that Plan 1 is the most viable option in the near future. The Company is in the process of identifying potential buyers from China, and target potential buyers include mining companies in China that do not have adequate manganese mineral resources and steel companies that require manganese as their raw material for steel production. However, each of the above plans will be further analysed upon Completion.

MANAGEMENT OF XIANGLAN BRAZIL AND ITS RELEVANT EXPERTISE

Mr. George Pikielny is the director of Xianglan Brazil. Based on the information provided by Xianglan Brazil, he is experienced in the management of various companies in Brazil, and holds a bachelor degree in business administration from Fundacao Getulio Vargas, a higher education institution founded in 1944 in Sao Paulo, Brazil and considered to be one of the top five "policymaker think-tank" worldwide by Foreign Policy, an American magazine published by the Washington Post Company. Mr. Pikielny also holds a masters degree in business administration with focus on international trading from Michigan State University, and is a graduate of the Advanced Management Program/International Senior Management Program (AMP/ISMP) at Harvard Business School.

Mr. Pikielny's working experience include managing international trading of textile, food, chemicals, cement, and other products and agricultural products processing. Although Mr. Pikielny has no practical working experience in exploration and/or exploitation of mineral resources, the Company believes that with Mr. Pikielny's international business education background, international work exposure and business experience, he will be able to work closely with the mining technical committee to be formed by the Company.

The Company is setting up a mining technical committee which comprises 3 to 4 members who are mining technical experts from China and overseas with relevant mining professional and educational qualifications and experience. The Committee will be responsible for the direct supervision of the operations in Xianglan Brazil. The Company has already identified suitable candidates and is negotiating the terms and remuneration package with them. With Mr. George Pikielny's valuable knowledge and connections in the local Brazilian market, the Company considers that he will be able to work closely with the mining technical committee to manage Xianglan Brazil's future operation. Currently, the Company has no plans to have any change of Directors as a result of the Acquisition.

REASONS FOR THE ACQUISITION

The Company is principally engaging in refining and trading of silicon and research and development of highly purified silicon for solar cells, magazine publishing and advertising activities. Since the Company was taken over by Hong Bridge Capital Limited in October 2007, the Group under the existing management has been continuously looking for appropriate investment opportunities in the energy and resources sector.

The Company intends to dispose the business associated with magazine publishing and advertising activities as and when the opportunities arise. As at the Latest Practicable Date, the Company has not made any concrete agreement, arrangement, understanding and negotiation in relation to disposal of the magazine publishing business. On the other hand, the Company will continue with the business involved in the refining and trading of silicon and research and development of highly purified silicon for solar cells.

As stated in the third quarter report of the Company, for the nine months ended 30 September 2009, the Group recorded turnover of HK$18.3 million which comprised HK$2.5 million from the sale of highly purified silicon and HK$15.8 million from the publication of magazines. Loss for the third quarter was HK$2.4 million, cutting from the first quarter of HK$3.8 million and second quarter of HK$3.6 million.

The Company considers that the mining industry related to manganese resources has considerable development potential. Manganese is one of the most important elements in the steel refining process. The internal consumption of steel in China has been increasing rapidly since the 1990s, and particularly in recent years. The PRC's demand for steel is driven by the extensive and continual construction of infrastructures (such as power stations, ports, highways and railways) as a result of its rapid industralisation. According to the 35th Annual Conference of the International Manganese Institute held in June 2009 in Dubai, the demand for manganese for steel refining in China has turned the country from a manganese-exporting to a manganese-importing country since the first quarter of 2009. Therefore, the Directors believe that demand of manganese will exceed supply in China in the future and consider that it is a good opportunity to invest in manganese mining asset.

In addition, the Company has been looking for opportunities to enter into the resources and energy market. As Xianglan Brazil's management is experienced in mineral trading, the Company is planning to leverage on the experiences and business connections of Xianglan Brazil's management team to engage in resources and mineral trading business. Further, based on the valuation report prepared by Roma Appraisals Limited as set out in Appendix V of this Circular, the valuation of Xianglan Brazil as at 31 December 2009 was US$143 million (approximately HK$1,115 million), which is higher than the valuation required by the Directors at not less than HK$1,000 million per condition (x) to the Equity Transfer Agreement.

In this regard, the Directors (including the independent non-executive Directors) consider that the Acquisition provides a good opportunity for the Group to acquire manganese mineral resources and participate in the resources-related industry. The Directors expect that the Acquisition will present the Group with favorable long term prospects. Upon Completion, Hill Talent will become a direct wholly-owned subsidiary of the Company whereas Hill Talent holds 66% of the legal and beneficial interests in Xianglan Brazil. The accounts of the Target Group will be consolidated into that of the Group.

The Directors also confirm that the Company has performed sufficient due diligence on the Target Group to ensure that as at the Latest Practicable Date, there has been no material adverse change in the financial position and prospectus of the Target Group since 31 October 2009 and there has been no event since 31 October 2009 which would materially adversely affect the information shown in the accountants report of the Target Group for the ten months ended 31 October 2009 as set out in Appendices II and III of this Circular.

The issue of Consideration Shares and CN enables sufficient funding for the Acquisition without utilizing the cash of the Company. Further, by issuing the CN, there is no immediate dilution effect on shareholding. The Directors (including the independent non-executive Directors) consider that this will strengthen the financial position of the Company and hence will be beneficial to the overall development and expansion of the Group.

Based on the aforesaid, the board of Directors is of the opinion that the terms of the Equity Transfer Agreement are fair and reasonable, on normal commercial terms and the Acquisition is in the interests of the Company and the Shareholders as a whole.

RISKS ASSOCIATED WITH THE ACQUISITION

Risks associated with the Acquisition include those summarised below:

(1) Extension of the Exploration Licenses may not be granted

The extension of the Exploration Licenses held by Xianglan Brazil is subject to the approval of the relevant government authorities. Exploration rights are governed by the DNPM and are evidenced by the granting of licenses. Each license is for a specific term and subject to extensions granted by the DNPM on expiry of the exploration terms. Two of the three Exploration Licenses held by Xianglan Brazil expired on 29 December 2009 and the other will expire on 23 April 2010. Applications for extension of the three Exploration Licenses have been submitted to the DNPM on 21 October 2009 and 5 November 2009 respectively. Under Brazilian mining laws, the Exploration Licenses shall remain valid once the applications for extension are filed unless a formal notice to discontinue the exploration rights is given by the DNPM. Xianglan Brazil could lose title to its exploration rights if the extensions are not eventually granted by the DNPM.

(2) Estimate of the potential manganese resources may be inaccurate

The potential manganese resources mentioned in this Circular based on the Evaluation Report are estimated based on a preliminary report (MARES GEEOLOGIA MINERAÇÃO E ENGENHARIA LTDA. – RELATÓRIO FINAL MARCO 2 E 3A-august 2009) which include regional reconnaissance field work, a semi-detailed geological mapping in 1:25,000 scale, excavation of 10 small pits and 2 small trenches, drilling of 7 vertical holes up to a maximum of around 50m and a total of 286.98m, geological studies and drill core sampling, with 42 samples analysed at ACME laboratory in Brazil and Vancouver and 5 samples analysed at the USP laboratory in Sao Paulo. The independent review by the Technical Adviser does not represent a full technical due diligence based on common mineral reporting standard of the projects and no site visit has been performed. Therefore the level of certainty of the Evaluation Report is lower than a full technical due diligence based on common mineral reporting standard. The estimate may be inaccurate and hence actual future production volumes and turnover, which are based on these estimates, may differ materially from actual figures. In addition, shareholders should note that based on the Evaluation Report provided by the Technical Adviser in November 2009, the estimated maximum total exploration potential reserves is 6.8 million tonnes. The estimated maximum total exploration potential reserves of 6.8 million tonnes is different from the figure of 8.265 million tonnes as disclosed in the Announcement, which was an estimation provided by Xianglan Brazil based on the pre-feasibility report prepared by Xianglan Brazil.

(3) Company may not be able to identify potential buyers in pursuing Plan 1 as set out in the section headed "Proposed Development Plan" of this Circular

As Plan 1 as set out in the section headed "Proposed Development Plan" of this Circular is the most viable option as at the Latest Practicable Date, the Company will identify potential buyers for Xianglan Brazil upon Completion. However, there is no guarantee that the Company will eventually be able to identify potential buyers.

(4) Uncertainty in discovery of economic exploitation of ore deposits

Mineral exploration and development are high-risk undertakings. There can be no assurance that the exploration will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified there is no guarantee that it can be economically exploited.

(5) Supply and demand in manganese markets are subject to factors beyond the Company's control

The revenue generated from the Mineral Resources is subject to the cyclical nature of the domestic and international manganese markets which are affected by numerous factors beyond Xianglan Brazil's control, for example, general economic conditions in the PRC and elsewhere in the world, weather conditions, and fluctuations in the development and growth of industries with high demand of manganese and steel. The selling price and the profit margin will depend on market supply and demand forces in the domestic and international markets.

(6) Actual exploration costs may materially differ from estimated exploration costs

The estimated exploration costs are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given on the cost estimates and underlying assumptions being realised in practice.

(7) Mining and processing operations are subject to significant operational risks

Mining and processing operations are subject to a number of operating risks and hazards, including, production interruptions; electricity outages; raw materials shortages; failure of equipment; operating limitations imposed by environmental or other regulatory requirements; social, political and labour unrest; environmental or industrial accidents; catastrophic events such as fires, earthquakes, explosions, floods, collapse of mine or other natural disasters; and risks related to the complicated geological structure of mines and geological disasters that occur during the mining process. Some of these risks are beyond Xianglan Brazil's control, which could delay the production and delivery of manganese and manganese-related products or increase the cost of manganese mining and processing. Since Xianglan Brazil is still in the resources exploration stage, most of the mining operating risks are only applicable to Xianglan Brazil when (i) Xianglan Brazil adopts Plan 3 as disclosed in the section headed "Proposed Development Plan" of the Letter from the Board and (ii) Xianglan Brazil commences exploitation of the Mineral Resources. The Company is well aware of the potential operating risks and will consult its Brazilian legal advisers the legal consequences of relevant rules and regulations of the mining operations in Brazil if the Company adopts the said Plan 3 in due course.

(8) Operational and technical difficulties may significantly impact success in exploration and mining operations

The operations of Xianglan Brazil may be affected by various factors, including failure to achieve predicted grades in exploration and mining; operational and technical difficulties encountered in mining; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated metallurgical problems which may affect extraction costs; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment. These operational and technical difficulties encountered may result in interruptions to Xianglan Brazil's operations and escalate the operating and/or capital costs involved in the exploration and mining operations.

(9) Commercial viability of Xianglan Brazil is uncertain

No assurances can be given that Xianglan Brazil will achieve commercial viability through the successful exploration and/or mining of the Mineral Resources. Until Xianglan Brazil is able to realise value from its projects, it is likely to incur ongoing operating losses. Additionally, with successful exploration and mining operations, the total manganese resources of the 3 Exploration Licenses would decline upon continuous exploitation. There is no guarantee that Xianglan Brazil will be able to acquire new manganese resources, develop new mining projects or expand its mining operations in the future.

(10) Potential accidents in exploration and mining operations

Xianglan Brazil may suffer losses resulting from property damage (including, but not limited to, environmental damage) and personal injuries sustained from industry-related accidents. The occurrence of industry-related accidents may result in substantial disruptions of the mining operations and financial losses, damage to Xianglan Brazil's reputation, lawsuits and other compensatory claims and payouts, fines, penalties and mandatory suspension of production.

(11) Granting of mining concessions is subject to DNPM's discretion

The DNPM has the general discretion to reject any application for a mining concession upon completion of the exploration if it fails to meet the relevant geographical, geological, technical or procedural criteria and the application may also be refused should it be determined that the exploration or mining activities involved are harmful to the public good or to interests that outweigh the usefulness of the exploration or exploitation of the mineral deposits. Therefore, there is no guarantee that Xianglan Brazil could obtain such mining concession after the exploration stage.

PROPOSED REFRESHMENT OF THE EXISTING GENERAL MANDATE

In the AGM, the resolution to grant the Existing General Mandate to the Directors to exercise the powers to allot, issue and otherwise deal with up to 682,543,943 Shares, representing 20% of the then issued share capital of the Company as at the date of the AGM, was duly approved by the Shareholders. The Existing General Mandate has not been refreshed nor utilised since the AGM.

Following the conversion of convertible bonds held by Mr. He on 10 September 2009 and the issue of 1,164,000 Shares on 2 February 2010 pursuant to the Share Options granted under the Share Option Scheme, the issued share capital of the Company has increased from 3,412,719,716 Shares to 5,513,883,716 Shares.

As disclosed in the announcement of the Company dated 18 November 2009, the Company has entered into a memorandum of understanding with VNN in relation to the Possible Acquisition and the consideration will be satisfied by cash. As at the Latest Practicable Date, the Company has substantially agreed all the major commercial terms with VNN in relation to the acquisition of SAM Shares. Both parties are waiting for their respective lawyers to finalise the legal documents and the reorganisation of the group structure of SAM and its holding companies. In order to maximise the Company's flexibility for any possible fund raising activities that may be necessary as a result of the Possible Acquisition, it is proposed that the Board should seek the approval from the Shareholders for the refreshment of the Existing General Mandate at the EGM to authorize the Directors to issue Shares not exceeding 20% of the increased issued share capital of the Company of 5,513,883,716 Shares.

As at the Latest Practicable Date, the Company had an aggregate of 5,513,883,716 Shares in issue, an increase of 2,101,164,000 Shares since the Existing General Mandate was approved by the Shareholders at the AGM. Assuming that no Share will be issued or repurchased by the Company on or before the EGM and subject to the passing of the ordinary resolution for the approval of the grant of the New General Mandate, the Company would be allowed under the New General Mandate to allot, issue or otherwise deal with up to 1,102,776,743 Shares, representing approximately 20% of the issued share capital of the Company as at the Latest Practicable Date.

The New General Mandate will, if granted, expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company; (b) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of the Cayman Islands to be held; and (c) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors under the New General Mandate given by this resolution.

An Independent Board Committee has been established to make recommendations to the Independent Shareholders in respect of the proposed grant of the New General Mandate. Nuada has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the proposed refreshment of the Existing General Mandate.

REFRESHMENT OF THE EXISTING SCHEME MANDATE LIMIT OF THE SHARE OPTION SCHEME

The Existing Scheme Mandate Limit was refreshed at the annual general meeting of the Company held on 14 March 2008, which enables the Directors to grant options to Eligible Persons under the Share Option Scheme to subscribe for up to 341,271,971 Shares. As at the Latest Practicable Date, an aggregate of 20,276,000 Shares were issuable pursuant to the Share Options granted under the Share Option Scheme. As at the Latest Practicable Date, 1,164,000 Shares were issued pursuant to the Share Option Scheme. As at the Latest Practicable Date, if the Existing Scheme Mandate Limit is not refreshed, the Company would be allowed to grant options to subscribe for up to 319,831,971 Shares, representing approximately 5.8% of the Shares in issue as at the Latest Practicable Date.

In order to provide the Company with more flexibility in providing incentives to those Eligible Persons under the Share Option Scheme by way of granting of the Share Options, the Board decides to seek the approval of the Shareholders to refresh the Existing Scheme Mandate Limit so that the total number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other scheme(s) of the Company shall not exceed 10% of the Shares in issue as at the date of passing the relevant resolution at the EGM. Share options previously granted under the Share Option Scheme and any other scheme(s) of the Company (including options outstanding, cancelled or lapsed in accordance with the relevant scheme rules and exercised options) will not be counted for the purpose of calculating the New Scheme Mandate Limit as refreshed.

As at the Latest Practicable Date, there were in issue 5,513,883,716 Shares, 20,036,000 outstanding Share Options granted under the Share Option Scheme at the exercise price of HK$1.20 per Share and 240,000 outstanding Share Options granted under the Share Option Scheme at the exercise price of HK$0.69 per Share. The total outstanding Share Options represented 0.37% of the existing issued share capital of the Company as at the Latest Practicable Date. Save and except for these outstanding Share Options, there are no Share option granted under the Share Option Scheme or any other Share scheme(s) of the Company which remained outstanding as at the Latest Practicable Date. There have been no Share Option lapsed or cancelled from the date of the AGM to the Latest Practicable Date.

Pursuant to the GEM Listing Rules, the maximum number of Shares which may be issued upon exercise of all outstanding Share options granted and yet to be exercised under the Share Option Scheme and any other scheme(s) of the Company at any time must not in aggregate exceeds 30% of the Shares in issue from time to time. No Share option shall be granted under any scheme(s) of the Company if this will result in the 30% limit being exceeded.

The purpose of the Share Option Scheme is to provide incentive or reward to the Eligible Persons under the Share Option Scheme for their contribution to and continuing efforts to promote the interests of the Company. The Directors consider that the refreshing of the Existing Scheme Mandate Limit is in the interests of the Company and the Shareholders as a whole.

The adoption of the refreshment of the Existing Scheme Mandate Limit is conditional upon:

(a) the passing of an ordinary resolution by the Shareholders at the EGM to approve the proposed refreshment of the Existing Scheme Mandate Limit; and

(b) the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any Share Options that may be granted pursuant to the Share Option Scheme under the New Scheme Mandate Limit as refreshed.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Share Options to be granted under the refreshed New Scheme Mandate Limit.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules. The Acquisition is therefore subject to the reporting, announcement, and Shareholders' approval general requirements under the GEM Listing Rules. No Shareholder has a material interest in the Acquisition and therefore no Shareholder is required to abstain from voting of the resolution to approve the Acquisition.

THE EGM

Approvals from the Independent Shareholders at the EGM are required for the refreshment of the Existing General Mandate. Pursuant to Rule 17.42A(1) of the GEM Listing Rules, in respect of the refreshment of the Existing General Mandate, any controlling shareholders and their associates or, where there are no controlling shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution to approve the refreshment of the Existing General Mandate at the EGM.

As at the Latest Practicable Date, the controlling shareholder of the Company, Mr. He, and his associates, will abstain from voting in favour of the resolution to approve the refreshment of the Existing General Mandate at the EGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholder has a material interest in the proposed refreshment of the Existing Scheme Mandate Limit and accordingly, no Shareholder is required to abstain from voting in the EGM in this regard.

RECOMMENDATION

The Directors, including the independent non-executive Directors, consider the terms of the Equity Transfer Agreement are on normal commercial terms, are entered into in the usual and ordinary course of business and are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Directors also consider that the proposed refreshments of the Existing General Mandate and the Existing Scheme Mandate Limit are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions in respect of the Equity Transfer Agreement and the refreshment of the Existing Scheme Mandate Limit; and the Independent Shareholders to vote in favour of the resolution in respect of the refreshment of the Existing General Mandate at the EGM.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices of this Circular.

On behalf of the Board
Honbridge Holdings Limited
LIU Wei, William
Director and Chief Executive Officer

HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8137)

24 February 2010

To the Independent Shareholders

Dear Sir or Madam,

REFRESHMENT OF EXISTING GENERAL MANDATE

We refer to the circular of the Company to the Shareholders dated 24 February 2010 (the "**Circular**"), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed "Definitions" of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders in respect of the proposed refreshment of the Existing General Mandate, details of which are described in the letter from the Board as set out in the Circular.

We wish to draw your attention to the letter of advice from Nuada, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed refreshment of the Existing General Mandate as set out on pages 39 to 44 of the Circular.

Having taken into account the advice and recommendation of Nuada, the independent financial adviser of the Company, as set out in their letter of recommendation on pages 39 to 44 of the Circular, we are of the opinion that the proposed refreshment of the Existing General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the proposed refreshment of the Existing General Mandate.

Yours faithfully,
Mr. Chan Chun Wai, Tony
Mr. Fok Hon
Mr. Ma Gang
Independent Board Committee

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada dated 24 February 2010 in relation to the grant of the New General Mandate for the purpose of this circular.

Nuada Limited
Corporate Finance Advisory

Nuada Limited
17th Floor, BLINK, 111 Bonham Strand
Sheung Wan, Hong Kong

24 February 2010

To the Independent Board Committee and
the Independent Shareholders of Honbridge Holdings Limited

Dear Sirs,

REFRESHMENT OF EXISTING GENERAL MANDATE

INTRODUCTION

We refer to the circular to the Shareholders dated 24 February 2010 (the "**Circular**") issued by the Company in which this letter forms parts and our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of New General Mandate, details of which are set out in the letter from the Board (the "**Letter**") contained in the Circular. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Pursuant to Rules 17.42A of the GEM Listing Rules, the grant of the New General Mandate of the Company is subject to the approval of the Independent Shareholders by way of poll at the EGM with the controlling shareholders of the Company and their associates or, where there are no controlling shareholders of the Company, Directors (excluding the independent non-executive Directors) and the chief executive and their respective associates abstain from voting in favour. In this regard, Hong Bridge Capital Limited (the "**Hong Bridge Capital**") is a company wholly owned by Mr. He, the Chairman and a substantial shareholder of the Company, and held approximately 74.27% of the existing issued share capital of the Company as at the Latest Practicable Date. As such, Hong Bridge Capital, Mr. He and their respective associates shall abstain from voting in favour of the relevant resolutions at the EGM.

The Independent Board Committee has been formed to advise the Independent Shareholders on whether the proposed grant of the New General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, statements, opinions and representations supplied to us by the Company and the Directors and we have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true at the date of the Circular, and we have relied on the same. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the Letter were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular. We consider that we have been provided sufficient information to enable us to reach an informed view regarding the proposed grant of the New General Mandate, and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinions. We have no reason to suspect that any material facts or information (which is known to the Company) have been omitted or withheld from the information supplied or opinions expressed in the Circular nor to doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and the Directors which have been provided to us. We have not, however, carried out any independent verification on the information provided to us by the Directors, nor have we conducted an independent in-depth investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the proposed grant of the New General Mandate, we have taken the following principal factors and reasons into consideration:

Background

At the AGM, the Directors were granted the Existing General Mandate to allot and issue up to 682,543,943 Shares, representing 20% of the aggregate nominal amount of the then issued share capital of the Company of 3,412,719,716 Shares. As at the Latest Practicable Date, the Existing General Mandate has not been utilised.

Subsequent to the AGM, the issued share capital of the Company has been enlarged by 2,101,164,000 Shares from 3,412,719,716 Shares to 5,513,883,716 Shares, representing an increase of approximately 61.57% to the share capital in issue at the date of the AGM. Notwithstanding that the Existing General Mandate had not been utilized as at the Latest Practicable Date, the Directors propose to seek the approval of the Independent Shareholders at the EGM for the grant of the New General Mandate to enhance the financial flexibility necessary for the future investment and business development of the Group, in particular in view of the Possible Acquisition as announced by the Company on 18 November 2009.

The Company had an aggregate of 5,513,883,716 Shares in issue as at the Latest Practicable Date. Subject to the passing of the ordinary resolutions for the approval of the New General Mandate and assuming that no Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the Company would be allowed to allot and issue up to 1,102,776,743 Shares under the New General Mandate.

Reasons for the grant of the New General Mandate

The Company is principally engaging in refining and trading of silicon and research and development of highly purified silicon for solar cells, magazine publishing and advertising activities. Since the Company was taken over by Hong Bridge Capital in October 2007, the Group under the existing management has been continuously looking for appropriate investment opportunities in the energy and resources sector to improve its performance and improve Shareholders return. As disclosed in the announcement of the Company dated 18 November 2009, the Company entered into an memorandum of understanding with VNN in relation to the Possible Acquisition. In order to maximise the Company's flexibility for any possible fund raising activities that may be necessary as a result of the Possible Acquisition, it is proposed that the Board should seek the approval from the Shareholders for the refreshment of the Existing General Mandate at the EGM to authorise the Directors to issue Shares not exceeding 20% of the increased issued share capital of the Company of 5,513,883,716 Shares.

As advised by the Company, the Directors consider that equity financing to be an important avenue of resources to the Group since it does not create any interest paying obligations on the Group. Given the substantial increase in the number of issued Shares and in view of the Possible Acquisition, the Board consider that the refreshment of the Existing General Mandate is beneficial to the Company so that should future funding needs arise, the Board will be able to respond to the market and such investment opportunities promptly. As the New General Mandate provides the Board with greater flexibility to capture investment opportunities at any time or offers an opportunity for the Directors to capture a favourable equity market condition to raise funds by issuing new Shares, the Directors is of the view that the New General Mandate is in the interest of the Company and the Shareholders as a whole.

In light of the substantial increase in the issued share capital of the Company and the Possible Acquisition, we are of the opinion that the New General Mandate would provide the Company with the necessary flexibility essential for fulfilling any possible funding needs for future investment and business development decisions. As such, we are of the view that the grant of the New General Mandate is in the interest of the Company and the Shareholders as a whole.

Other financing alternative

The Board considers equity financing to be an important avenue of resources for the Group since it does not create any interest paying obligations on the Group. In appropriate circumstances, the Group will also consider other financing methods such as debt financing or internal cash resources to fund its future investment and/or business development. While there is no immediate funding need for the Group's current operation, save for the Possible Acquisition, there is no certainty that the internal cash resources will be adequate or other financing alternatives will be available for appropriate investments, including the Possible Acquisition. In addition, debt financing may incur interest burden on the Group and it may subject to lengthy due diligence and negotiations with the banks with reference to the Group's financial position, capital structure and the financial market condition at that time. The Directors consider that equity financing such as issuance of new Shares may be an appropriate means to fund such investments and/or acquisitions and provide additional working capital for future development and expansion of the Group.

Based on the foregoing, we consider that the grant of the New General Mandate will provide the Company with an additional alternative to raise additional capital for any future needs or as working capital of the Group and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future development, including equity financing. As such, we are of the view that the grant of the New General Mandate is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITY IN THE PAST TWELVE MONTHS

No equity fund raising activity was conducted by the Group in the past twelve months immediately preceding the Latest Practicable Date.

POTENTIAL DILUTION TO SHAREHOLDINGS OF THE PUBLIC SHAREHOLDERS

Set out below is a table showing the shareholding structure of the Company as at the Latest Practicable Date, and, for illustrative purpose, the potential dilution effect upon full utilization of the New General Mandate, assuming no other Shares are issued and/or repurchased by the Company prior to the date of the EGM.

Shareholders	As at the Latest Practicable Date		Upon full utilization of the New General Mandate (assuming no other Shares are issued and/or repurchased by the Company from the Latest Practicable Date and up to the date of the EGM)	
	No. of Shares held	*Shareholding % (approximately)*	*No. of Shares held*	*Shareholding % (approximately)*
Hong Bridge Capital *(Note 1)*	4,095,000,000	74.27	4,095,000,000	61.89
Public:				
Gui Shengyue	300,000,000	5.44	300,000,000	4.53
Others	1,118,883,716	20.29	1,118,883,716	16.91
Shares to be issued under the New General Mandate	–	–	1,102,776,743	16.67
Total	5,513,883,716	100.00	6,616,660,459	100.00

Note: Hong Bridge Capital is wholly and beneficially owned by Mr. He.

As illustrated in the table above, the aggregate shareholding of the existing public Shareholders will decrease from approximately 25.73% as at the Latest Practicable Date to approximately 21.44% upon full utilization of the New General Mandate, assuming no other Shares are issued and/or repurchased by the Company prior to the date of the EGM.

Taking into account the benefits of the New General Mandate as discussed above and the fact that the shareholdings of all Shareholders will be diluted proportionately, we consider such dilution or potential dilution effect of shareholdings of the Shareholders to be acceptable.

RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that the grant of the New General Mandate is fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders and advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

For and on behalf of
Nuada Limited
Po Chan
Executive Director

1. FINANCIAL SUMMARY

The following is a summary of the results and financial position of the Group for the three years ended 31 December 2006, 2007 and 2008, the results for nine months ended 30 September 2009 and the financial position as at 30 June 2009 as extracted from the respective published annual reports, quarterly report and half year report of the Company. No qualified opinions were issued by the Company's auditors for each of the three years ended 31 December 2006, 2007 and 2008.

In the Company's 2008 annual report, the Company's auditors issued a modified opinion on the going concern of the Group. As at 31 December 2008, the Group and the Company had net current liabilities of approximately HK$11,875,000 and HK$11,948,000 respectively. The Group also incurred a loss attributable to the equity holders of the Company of approximately HK$15,729,000 for the year ended 31 December 2008. These conditions, amongst others, then indicated the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Results of the Group:

	Year ended 31 December			Nine months ended 30 September
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)
Revenue	83,464	67,843	55,091	18,349
Direct operating expenses	(68,054)	(43,696)	(39,864)	(12,810)
Other operating revenue	259	192	480	536
Selling and distribution costs	(19,491)	(17,271)	(7,101)	(4,385)
Administrative expenses	(8,332)	(9,998)	(15,095)	(8,115)
Other operating income/ (expenses), net	(2,015)	4,628	(10,880)	(594)
Operating profit/(loss)	(14,169)	1,698	(17,369)	(7,019)
Finance costs	–	(169)	(2,575)	(2,758)
Profit/(loss) before income tax	(14,169)	1,529	(19,944)	(9,777)
Income tax expense	–	–	–	–
Profit/(loss) for the year/period	(14,169)	1,529	(19,944)	(9,777)
Attributable to:				
Equity holders of the Company	(14,169)	1,529	(15,729)	(8,485)
Minority interests	–	–	(4,215)	(1,292)
Profit/(loss) for the year/period	(14,169)	1,529	(19,944)	(9,777)

Financial Position of the Group:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)
Total assets	21,228	41,759	137,706	130,124
Total liabilities	(28,229)	(22,561)	(106,894)	(106,701)
Minority interests	–	–	(19,686)	(18,676)
Equity attributable to the Company's equity holders	(7,001)	19,198	11,126	4,747

2. AUDITED FINANCIAL INFORMATION OF THE GROUP

The following are the audited financial statements of the Group for the year ended 31 December 2008 together with the notes thereto as extracted from the annual report of the Company for the year ended 31 December 2008.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

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

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

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

BALANCE SHEET
As at 31 December 2008

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

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

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from investing activities			
Interest received		162	79
Purchase of property, plant and equipment		(9,825)	(1,518)
Proceeds from disposals of property, plant and equipment		1	–
Deposits paid for acquisition of property, plant and equipment		(2,923)	–
Acquisition of subsidiaries and businesses (net of cash and cash equivalents acquired)	38	(7,306)	–
Proceed from disposals of subsidiaries	39	–	309
Net cash used in investing activities		(19,891)	(1,130)
Cash flows from financing activities			
Proceeds from shares issued under share option scheme		–	3,283
Proceeds from issuance of new shares		–	20,300
Proceeds from issuance of convertible bonds		–	14,700
Share issue expenses		–	(1,431)
Drawdown of borrowings		7,050	–
Drawdown of loans from ultimate holding company		47,000	–
Repayment of borrowings		(25,394)	–
Net cash generated from financing activities		28,656	36,852
Net (decrease)/increase in cash and cash equivalents		(12,992)	31,189
Cash and cash equivalents at 1 January		33,752	2,563
Effect of foreign exchange rate changes		16	–
Cash and cash equivalents at 31 December		20,776	33,752
Analysis of cash and cash equivalents			
Cash at banks and in hand	24	20,776	33,752

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2008

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. GENERAL INFORMATION

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

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

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

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

2. ADOPTION OF NEW OR AMENDED HKFRSs

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

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

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

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

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

Notes:

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

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

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

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

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

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

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

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

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

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

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

3.2 Basis of consolidation

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

3.3 Subsidiaries

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

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

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

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

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

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

3.4 Foreign currency translation

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

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

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

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

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

3.5 Revenue recognition

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

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

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

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

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

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

3.6 Goodwill

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

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

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

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

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

3.7 Borrowing costs

All borrowing costs are expensed when incurred.

3.8 Property, plant and equipment

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

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

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

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

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

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

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

3.9 Prepaid land lease payments

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

3.10 Impairment of non-financial assets

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

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

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

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

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

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

3.11 Leases

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

Operating lease charges as the lessee

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

3.12 Financial assets

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

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

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

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

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

Loans and receivables

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

Impairment of financial assets

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

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

– significant financial difficulty of the debtor;

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

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

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

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

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

3.13 Inventories

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

3.14 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

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

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

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

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

3.15 Cash and cash equivalents

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

3.16 Share capital

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

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

3.17 Retirement benefit costs and short-term employee benefits

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

Defined contribution plan

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

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

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

Short-term employee benefits

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

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

3.18 Share-based employee compensation

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

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

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

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

3.19 Financial liabilities

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

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

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

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

Borrowings and loans from ultimate holding company

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

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

Convertible bonds that contain an equity component

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

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

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

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

Trade and other payables

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

3.20 Research and development costs

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

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

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

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

(iv) the intangible asset can be reliably measured.

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

All other development costs are expensed as incurred.

3.21 Provisions and contingent liabilities

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

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

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

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

3.22 Segment reporting

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

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

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

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

3.23 Related parties

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

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

(i) Impairment of goodwill

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

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

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

(iii) *Net realisable value of inventories*

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

(iv) *Impairment of receivables*

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

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

(v) *Valuation of share option granted*

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

(vi) *Valuation of convertible bonds*

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

(vii) *Depreciation and amortisation*

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

5. REVENUE

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

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

6. SEGMENT INFORMATION

Primary reporting format – business segments

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

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

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

Year ended 31 December 2008

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

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

Secondary reporting format – geographical segments

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

Revenue by geographical markets:

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

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

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

7. OTHER OPERATING REVENUE

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

8. OPERATING (LOSS)/PROFIT

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

9. FINANCE COSTS

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

10. INCOME TAX EXPENSE

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

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

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

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

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

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

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

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

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

12. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

(b) Dilutive (loss)/earnings per share

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

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

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

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

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

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

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

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

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

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

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

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

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

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

(b) Five highest paid individuals

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

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

The emoluments fell within the following band:

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

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

15. PROPERTY, PLANT AND EQUIPMENT

Group

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

Note:

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

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

Company

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

16. PREPAID LAND LEASE PAYMENTS

Group

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

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

17. INVESTMENTS IN SUBSIDIARIES

Company

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

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

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

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

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

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

18. GOODWILL

Group

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

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

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

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

Growth rate	10%
Discount rate	11%

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

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

19. DEPOSITS

Group

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

20. INVENTORIES

Group

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

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

21. TRADE AND BILLS RECEIVABLES

Group

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

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

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

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

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

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

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

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

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

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

22. PREPAYMENTS AND OTHER RECEIVABLES

Group

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

Company

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

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

23. AMOUNT DUE FROM/(TO) A SUBSIDIARY

Company

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

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

Group

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

Company

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

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

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

25. TRADE PAYABLES

Group

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

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

26. OTHER PAYABLES, ACCRUED EXPENSES AND RECEIPTS IN ADVANCE

Group

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

Company

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

27. BORROWINGS

Group

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

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

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

Notes:

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

(ii) Bank loans was guaranteed by Jining City Tianxiang Machinery Manufacturing Co., Ltd.. The Group has not recognised the financial impact in respect of this guarantee as its fair value cannot reliably measured and no transaction price was recorded. The interest rate of bank loans is 6.64% per month.

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

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

28. LOANS FROM ULTIMATE HOLDING COMPANY

Group and Company

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

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

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

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

29. CONVERTIBLE BONDS

Group and Company

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

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

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

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

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

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

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

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

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

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

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

30. DEFERRED TAX LIABILITIES

Group

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

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

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

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

Company

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

31. SHARE CAPITAL

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

Notes:

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

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

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

32. SHARE-BASED EMPLOYEE COMPENSATION

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

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

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

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

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

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

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

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

Year ended 31 December 2008:

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

Year ended 31 December 2007:

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

Details of the share options are as follows:

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

33. RESERVES

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

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

Group

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

Company

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

34. OPERATING LEASE COMMITMENTS

Group

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

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

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

Company

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

35. CAPITAL COMMITMENTS

Group

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

Company

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

36. RETIREMENT BENEFITS SCHEME

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

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

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

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

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

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

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

37. RELATED PARTY TRANSACTIONS

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

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

(1)

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

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

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

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

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

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

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

38. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION

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

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

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

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

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

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

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

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

39. DISPOSALS OF SUBSIDIARIES

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

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

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

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

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

40.1 Catergories of financial assets and liabilities

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

(i) Financial assets

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

(ii) Financial liabilities

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

40.2 Foreign currency risk

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

40.3 Interest rate risk

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

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

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

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

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

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

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

40.4 Credit risk

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

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

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

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

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

40.5 Liquidity risk

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

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

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

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

Group

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

Company

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

41. CAPITAL MANAGEMENT

The Group's objectives when managing capital include:

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

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

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

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

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

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

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

3. INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 31 December 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Enlarged Group had outstanding borrowings of approximately HK$72,772,000 which comprised unsecured bank borrowings of approximately HK$5,670,000, unsecured government loan of approximately HK$2,381,000, other unsecured loan of approximately HK$13,721,000 and unsecured loans from ultimate holding company of HK$51,000,000, and the Enlarged Group had a bank guarantee of approximately HK$3,405,000.

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 December 2009.

4. WORKING CAPITAL

Taking into account the internal resources available to the Enlarged Group, the Directors of the Company are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the Latest Practicable Date in the absence of unforeseeable circumstances.

5. MATERIAL CHANGES

There were no material changes in the financial or trading position or outlook of the Group since 31 December 2008, the date to which the latest published audited financial statements of the Group were made up.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE GROUP

Set out below is the management discussion and analysis of the Group for the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009.

For the year ended 31 December 2006

Business 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.

Our 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.

Our 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.

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.

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.

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.

Significant Investment Plans

As at 31 December 2006, the Group did not have any significant investment plans.

Contingent Liabilities

The Company had provided a corporate guarantee to a bank to secure a banking facility of HK$1,000,000 (2005: HK$1,000,000) granted to a subsidiary, which remained unused as at 31 December 2006.

Employees

As at 31 December 2006, the total number of employees of the Group was 74 (2005: 158). Employees' cost (including directors' emoluments) amounted to HK$22.1 million for the year (2005: HK$18.8 million).

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

For the year ended 31 December 2007

Business 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.

Our 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.

Our PRC 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.

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.

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.

Major Transactions

On 16 August 2007, the Company entered into a subscription agreement ("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 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 and the special resolution of shareholders had been passed on 12 October 2007. Subscription and Disposal had been completed on 16 October 2007.

On 12 October 2007, the Company changed its name from Jessica Publications Limited to Honbridge Holdings Limited.

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.

Significant Investment Plans

Save as disclosed above, as at 31 December 2007, the Group did not have any significant investment plans.

Contingent Liabilities

As at 31 December 2007, the Group did not have any significant contingent liabilities. As at 31 December 2006, the Company had provided a corporate guarantee to a bank to secure a banking facility of HK$1,000,000.

Employees

As at 31 December 2007, the total number of employees of the Group was 48 (2006: 74). Employees' cost (including directors' emoluments) amounted to HK$18.4 million for the year (2006: HK$22.1 million).

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

For the year ended 31 December 2008

Business Review

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

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

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

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

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

Liquidity and Financial Resources

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

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

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

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

Major Acquisition

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

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

Significant Investment Plans

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

Contingent Liabilities

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

Employees

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

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

For the nine months ended 30 September 2009

Business Review and Strategy

For the nine months ended 30 September 2009, the Group recorded turnover of HK$18.3 million which comprised HK$2.5 million from the sale of highly purified silicon and HK$15.8 million from the publication of magazines. Loss for the third quarter was HK$2.4 million, cutting from the first quarter of HK$3.8 million and second quarter of HK$3.6 million.

The substantial decrease in sales of highly purified silicon from HK$26.3 million for the nine months ended 30 September 2008 to HK$2.5 million for the same period this year was mainly due to the substantial decrease in selling price of silicon products as the market has not been recovered.

The commercial production of 4-5 N silicon (silicon material with 99.99% – 99.999% purity) was behind the original schedule and hence resulted in a loss in the silicon segment of HK$1.8 million for the nine months ended 30 September 2009 as compared to a profit of HK$1.0 million last year.

Decrease in revenue from the publication business from HK$18.8 million for the nine months ended 30 September 2008 to HK$15.9 million for the same period this year was mainly due to a decrease of HK$3.1 million advertising income as a result of economic downturn and the competitive market in the publication of fashion magazines in Hong Kong.

The improvement in result of the publication segment from a loss of HK$2.6 million for the nine months ended 30 September 2008 to a loss of HK$1.2 million in 2009 was mainly attributable to the savings in printing cost of HK$0.9 million and the reduction in sales commission paid of HK$1.1 million in relation to the drop in advertising income.

Liquidity and Financial Resources

During the nine months ended 30 September 2009, the Group's operation was mainly financed by internal financial resources of the Group and the substantial shareholder of the Group.

As at 30 September 2009, the Group had net current liabilities of HK$11.7 million (31 December 2008: HK$11.9 million). Current assets comprised inventories of HK$12.3 million, bank balances and cash of HK$5.3 million, trade and bills receivables of HK$5.5 million, and prepayment and other receivables of HK$8.6 million. Current liabilities comprised trade payables of HK$8.5 million, other payables, accrued expenses and receipts in advance of HK$18.8 million and borrowings of HK$16.1 million.

As at 30 September 2009, the gearing ratio of the Group which is measured by total borrowings to total equity was 0.9 (31 December 2008: 2.0).

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

Prospects

Since the global financial crisis burst out last year, the market of highly purified silicon collapsed and the selling price of silicon products dropped significantly. However, the physics purification method used by the Group has competitive advantages in terms of both unit production cost and total investment. Accordingly, with the further development of technology breakthrough, it is believed that will bring a certain level of returns to shareholders.

The Group has announced the acquisition of a mineral resources exploration company. Details of which will be disclosed in an announcement later.

The Group will continue to look for appropriate investment opportunities in the energy and resources sector.

(A) *The following is the text of a report received from Xianglan Brazil's reporting accountant, Grant Thornton, for the purpose of incorporation into this circular.*

Grant Thornton
均富

Member of Grant Thornton International Ltd

24 February 2010

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

Dear Sirs,

We set out below our report on the financial information of Xianglan Do Brasil Mineração Ltda ("Xianglan Brazil"), in Sections I and II below, including the statements of financial position as at 31 December 2008 and 31 October 2009, statements of comprehensive income, cash flow statements and statements of changes in equity for the period from 11 November 2008 (date of incorporation) to 31 December 2008 and for ten months ended 31 October 2009 (the "Relevant Periods") and the notes thereto (the "Financial Information"), prepared for inclusion in the circular (the "Circular") dated 24 February 2010 issued by Honbridge Holdings Limited (the "Company") in connection with the proposed acquisition of the entire issued share capital of Hill Talent Limited ("Hill Talent") (the "Proposed Acquisition"). Upon completion of the Proposed Acquisition, the Company will directly own the entire equity interest of Hill Talent and will indirectly own 66% equity interest of Xianglan Brazil.

Xianglan Brazil was incorporated in Brazil on 11 November 2008 with limited liability with authorised and issued share capital of R$5,738,140 at R$1 each which has been fully paid up on 3 December 2009. The address of Xianglan Brazil's registered office and principal place of business is Rua James Watt n° 142, suite 111 Brooklin CEP 04576-050, São Paulo – SP, Brazil. The principal activities of Xianglan Brazil are research, exploration and commercialisation of mineral resources (Manganese), consulting and administrative services related to mines and mining assets and investment in companies related to mining activities in Brazil.

The financial statements of Xianglan Brazil for the Relevant Periods (collectively referred to as the "Underlying Financial Statements") were prepared in accordance with International Financial Reporting Standards which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board. The financial statements of Xianglan Brazil for the Relevant Periods were audited by Terco Grant Thornton. Terco Grant Thornton is member of Region Accounting Council in Brazil.

Directors' responsibility

The directors of the Company are responsible for the Financial Information presented in this report and 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.

The sole director of Xianglan Brazil is responsible for the contents of the Circular in which this report is included.

For the Financial Information, the director of Xianglan Brazil is responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountants' responsibility

For the Financial Information, our responsibility is to express an opinion based on our examination and to report our opinion to you. We examined the Underlying Financial Statements used in preparing the Financial Information, and carried out independent audit procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountants" issued by the HKICPA.

Opinion

In our opinion, the Financial Information gives a true and fair view of the financial positions of Xianglan Brazil as at 31 December 2008 and 31 October 2009 and of the loss and cash flows of Xianglan Brazil for the respective periods then ended.

I. FINANCIAL INFORMATION

Statements of Comprehensive Income

	Notes	**Period from 11 November 2008 (date of incorporation) to 31 December 2008**	**Ten months ended 31 October 2009**
		HK$'000	*HK$'000*
Revenue	*5*	–	–
Administrative expenses		–	(1,872)
Loss before income tax	*6*	–	(1,872)
Income tax expense	*7*	–	–
Loss for the period		–	(1,872)
Other comprehensive income for the period		–	677
Total comprehensive loss for the period		–	(1,195)

Statements of Financial Position

	Notes	31 December 2008 HK$'000	31 October 2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	–	316
Intangible assets –"exploration and evaluation assets"	10	–	1,672
		–	1,988
Current assets			
Deposits and other receivables		–	150
Amount due from a director	11	–	44
Cash and cash equivalents	12	–	20,309
		–	20,503
Current liabilities			
Other payables and accrued expenses		–	272
Amount due to a shareholder	13	–	20,182
		–	20,454
Net current assets		–	49
Net assets		–	2,037
EQUITY			
Share capital	14	–	3,232
Reserves		–	(1,195)
Total equity		–	2,037

Cash Flow Statements

	Period from 11 November 2008 (date of incorporation) to 31 December 2008 *HK$'000*	Ten months ended 31 October 2009 *HK$'000*
Cash flows from operating activities		
Loss before income tax	–	(1,872)
Adjustment for:		
Depreciation	–	19
Operating loss before working capital changes	–	(1,853)
Increase in deposits and other receivables	–	(150)
Increase in amount due from a director	–	(44)
Increase in other payables and accrued expenses	–	272
Net cash used in operating activities	–	(1,775)
Cash flows from investing activities		
Purchases of property, plant and equipment	–	(290)
Payment of intangible assets	–	(1,672)
Net cash used in investing activities	–	(1,962)
Cash flows from financing activities		
Proceeds from issuance of shares	–	3,232
Advance from a shareholder	–	20,182
Net cash generated from financing activities	–	23,414
Net increase in cash and cash equivalents	–	19,677
Cash and cash equivalents at beginning of period	–	–
Effect of foreign exchange rates, net	–	632
Cash and cash equivalents at end of period	–	20,309
Analysis of the cash and cash equivalents		
Cash at bank *(note 12)*	–	20,309

Statements of Changes in Equity

	Share capital	Exchange fluctuation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 11 November 2008 (date of incorporation), 31 December 2008 and 1 January 2009	–	–	–	–
Capital contribution from shareholders	3,232	–	–	3,232
Transactions with shareholders	3,232	–	–	3,232
Exchange realignment	–	677	–	677
Other comprehensive income	–	677	–	677
Loss for the period	–	–	(1,872)	(1,872)
Total comprehensive income for the period	–	677	(1,872)	(1,195)
At 31 October 2009	3,232	677	(1,872)	2,037

II. NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION

The Financial Information sets out in this report has been prepared in accordance with HKFRSs which collective term includes all applicable individual HKFRSs and Interpretations issued by the HKICPA. The Financial Information also includes 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 and have been consistently applied throughout the Relevant Periods.

These are Xianglan Brazil's first Financial Information prepared under HKFRSs and HKFRS 1, First-time adoption of HKFRSs, has been applied.

2. ADOPTION OF NEW OR AMENDED HKFRSs

At the date of authorisation of these Financial Information, Xianglan Brazil has not early adopted the following new or amended HKFRSs that have been published but are not yet effective:

HKAS 24 (Revised)	Related Party Disclosures [4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKAS 32 (Amendment)	Classification of Right Issues [7]
HKAS 39 (Amendment)	Eligible Hedged Items [1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters [3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions [3]
HKFRS 3 (Revised)	Business Combinations [1]
HKFRS 9	Financial Instruments [5]
HK(IFRIC) – Int 14 (Amendment)	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [4]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners [1]
HK(IFRIC) – Int 18	Transfer of Assets from Customers [6]
HK(IFRIC) – Int 19	Extinguishment Financial Liabilities with Equity Instruments [2]
Various	Annual Improvements to HKFRSs 2009 [8]

Notes:

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

The director of Xianglan Brazil anticipates that all of the pronouncements will be adopted in Xianglan Brazil's accounting policy for the first period beginning after the effective date of the pronouncement.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of this Financial Information are summarised below. These policies have been consistently applied throughout the Relevant Periods presented unless otherwise stated.

The Financial Information has been prepared on the historical cost convention. The measurement bases are fully described in the accounting polices below.

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 Foreign currency translation

The Financial Information of Xianglan Brazil is presented in Hong Kong Dollars ("HK$"). The functional currency of Xianglan Brazil is Brazil Reais ("R$"). Foreign currency transactions are translated into the functional currency of Xianglan Brazil using the exchange rates prevailing at the dates of the transactions. At the period/year end date, monetary assets liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the period/year end date. Foreign exchanges gains and losses resulting from the settlement of such transactions and from the period/year end date retranslation of monetary assets and liabilities are recognised in the profit or loss for the period.

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.

The Financial Information of Xianglan Brazil has been translated from the functional currency into R$ to the presentation currency into HK$. Assets and liabilities have been translated into HK$ at the closing rate at the period/year end 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 on translation from the functional currency to the presentation currency are recognised in other comprehensive income and accumulated in the separate exchange fluctuation reserve in equity. In the opinion of the director of the Company, the presentation of the Financial Information of Xianglan Brazil in HK$ provides a more relevant information about the circular.

3.3 Revenue recognition

Revenue is recognised when it is probable that the economics benefits will flow to Xianglan Brazil and when the revenue can be measured reliably.

3.4 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

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

Furniture, fixtures and equipment	10%
Motor vehicles	20%

The assets' useful lives, depreciation methods and residual values are reviewed, and adjusted if appropriate, at each period/year end date.

The gain or loss arising on retirement or disposal is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss for the period.

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 Xianglan Brazil and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

3.5 Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets include topographical and geological survey drilling, exploratory drillings, sampling and trenching and expenditure incurred for the technical feasibility studies and incurred to secure further mineralisation in the mine ore. Expenditure incurred prior to obtaining the exploration and evaluation rights to explore an area are written off as incurred. If exploration property is abandoned during the evaluation stage, the total expenditure thereon will be written off.

3.6 Impairment of non-financial assets

Property, plant and equipment and intangible assets – "exploration and evaluation assets" are subject to impairment testing and 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 recognised for cash generating unit is charged on a pro rata basis to the 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 if there has been a favorable 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 Leases

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

Operating lease charges as the lessee

Operating leases are leases which do not transfer substantially all the risks and rewards incidental to ownership. Where Xianglan Brazil has the right to use of assets held under operating leases, payments made under the leases are charged to the statements of comprehensive income 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. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

3.8 Financial assets

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, Xianglan Brazil becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

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 any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each period/year end date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

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

– significant financial difficulty of the debtor;

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

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

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

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

If any such evidence exists, the impairment loss is measured and recognised as follows:

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

If, in a 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.

3.9 Cash and cash equivalents

Cash and cash equivalents represent cash at bank.

3.10 Share capital

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

3.11 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 period/year end 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 period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the profit or loss for the period/year.

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

Deferred tax assets and liabilities are not recognised if the temporary difference arises from 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 periods the liability is settled or the asset realised, provided they are enacted or substantively enacted at the period/year end date.

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

3.12 Financial liabilities

Financial liabilities are recognised when Xianglan Brazil becomes a party to the contractual provisions of the instrument.

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 profit or loss for the period.

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

3.13 Provisions, contingent liabilities and contingent assets

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

All provisions are reviewed at each period/year end 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 uncertain events not wholly within the control of Xianglan Brazil are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.14 Related parties

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

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

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

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

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

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

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

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

3.15 Operating segment

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-makers. Segment assets consist primarily of property, plant and equipment, intangible asset, financial assets and other assets. Segment liabilities comprise primarily liabilities to other payables and accrued expenses and amount due to shareholder.

No operating segment information are presented as Xianglan Brazil's operation related solely to research, exploration and commercialisation of mineral resources (Manganese), consulting and administrative services related to mines and mining assets and investment in companies related to mining activities in Brazil.

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.

Xianglan Brazil 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 discuss below.

Impairment of intangible assets – "exploration and evaluation assets"

The carrying value of exploration and evaluation assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Xianglan Brazil considers all facts and circumstances occurred to judge whether these facts and circumstances would suggest that the carrying amount of the exploration and evaluation assets may exceed its recoverable amount (i.e. impaired). Based on the judgement of the director, there was no impairment on the exploration and evaluation assets and no impairment loss is recognised for the Relevant Periods. Management reassesses the impairment of intangible assets at the period/year end date.

5. REVENUE

During the Relevant Periods, Xianglan Brazil did not generate any turnover.

6. LOSS BEFORE INCOME TAX

	Period from 11 November 2008 (date of incorporation) to 31 December 2008 *HK$'000*	Ten months ended 31 October 2009 *HK$'000*
Loss before income tax is arrived at after charging:		
Depreciation	–	19
Minimum lease payments paid under operating leases in respect of rental premises	–	98

* The auditors' remuneration for the Relevant Periods was borne by the Company.

7. INCOME TAX EXPENSE

No income tax has been provided as Xianglan Brazil did not derive any assessable profit in Brazil during the Relevant Periods.

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

	Period from 11 November 2008 (date of incorporation) to 31 December 2008 *HK$'000*	**Ten months ended 31 October 2009** *HK$'000*
Loss before income tax	–	(1,872)
Tax at applicable rate of 34%	–	(636)
Tax effect of unused tax losses not recognised	–	636
Total income tax expense	–	–

No deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams.

8. DIRECTORS' REMUNERATION AND HIGHEST PAID INDIVIDUALS

Director's emoluments

	Fees *HK$'000*	**Salaries and allowances** *HK$'000*	**Contribution to defined contribution plan** *HK$'000*	**Total** *HK$'000*
For the period from 11 November 2008 (date of incorporation) to 31 December 2008:				
George Pikielny #	–	–	–	–
Ten months ended 31 October 2009:				
George Pikielny #	–	–	–	–

\# George Pikielny was appointed on 11 November 2008.

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

Five highest paid individuals

During the Relevant Periods, no emoluments were paid by Xianglan Brazil to the director or the individuals and no emoluments were paid as an inducement to join or upon joining Xianglan Brazil or as compensation for loss of office.

9. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 11 November 2008 (date of incorporation), 31 December 2008 and 1 January 2009			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net book amount	–	–	–
Ten months ended 31 October 2009			
Additions	30	260	290
Depreciation	–	(19)	(19)
Exchange realignment	5	40	45
Closing net book amount	35	281	316
At 31 October 2009			
Cost	35	303	338
Accumulated depreciation	–	(22)	(22)
Net book amount	35	281	316

10. INTANGIBLE ASSETS – "EXPLORATION AND EVALUATION ASSETS"

Details of exploration licences at 31 October 2009 are as follows:

License number	:	DNPM-872.734/2006	DNPM-872.958/2006	DNPM-870.140/2007
Location	:	State of Bahia, Brazil	State of Bahia, Brazil	State of Bahia, Brazil
Valid until	:	29 December 2009	29 December 2009	23 April 2010
Area	:	20 km^2	20 km^2	18 km^2

In acquire for the exploration licences, Xianglan Brazil will pay royalties of US$3 per ton of manganese based on the volume extracted from the mining deposit starting from the first sale made to third parties or when manganese stocks reach 50,000 tons. No mining deposit was paid during the Relevant Periods.

Xianglan Brazil has applied the extension of the exploration licences. In the opinion of the sole director of Xianglan Brazil, Xianglan Brazil will be able to renew the exploration rights with the relevant government authorities continuously.

The director of Xianglan Brazil has considered whether there were facts and circumstances that indicate the intangible assets may have been impaired in accordance with paragraph 18 of HKFRS 6. The list of indications in paragraph 20 of HKFRS 6 has been referred to. In the opinion of the director of Xianglan Brazil, at 31 October 2009, there were no indications that the intangible assets have been impaired.

11. AMOUNT DUE FROM A DIRECTOR

Details of amount due from a director are disclosed as follows:

Name of director	:	George Pikielny
Amount outstanding at		
31 December 2008 and 1 January 2009	:	–
31 October 2009	:	HK$44,000
Maximum amount outstanding during		
The period from 11 November 2008 (date of incorporation) to 31 December 2008	:	HK$Nil
Ten months ended 31 October 2009	:	HK$44,000

The amount due from a director is unsecured, interest-free and repayable on demand.

12. CASH AND CASH EQUIVALENTS

	31 December 2008 *HK$'000*	**31 October 2009** *HK$'000*
Cash at bank	–	20,309

As at 31 October 2009, cash at bank included cash in transit of approximately US$2,637,000 (equivalent to approximately HK$20,182,000) from a shareholder (note 13) (31 December 2008: Nil).

13. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder is unsecured, interest-free and repayable on demand.

14. SHARE CAPITAL

	Number of shares	Par value
		HK$000 (HK$ equivalent)
Authorised and issued:		
Ordinary shares of R$1 each at 11 November 2008 (date of incorporation), 31 December 2008 and 31 October 2009	5,738,140	19,280
Fully paid:		
Ordinary shares of R$1 each at 11 November 2008 (date of incorporation), 31 December 2008 and 1 January 2009	–	–
Paid up issued shares during the period	961,800	3,232
Ordinary shares of R$1 each at 31 October 2009	961,800	3,232

On 11 November 2008, Xianglan Brazil was incorporated with authorised and issued share capital of R$5,738,140 which comprises 5,738,140 ordinary shares of R$1 each. The issued ordinary shares were fully paid up on 3 December 2009.

15. OPERATING LEASE COMMITMENTS

Xianglan Brazil leases certain of its office premises under operating leases. The leases run for an initial period of two to four years. None of the leases include contingent rentals.

At 31 December 2008 and 31 October 2009, Xianglan Brazil had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	31 December 2008	31 October 2009
	HK$'000	*HK$'000*
Within one year	101	213
In the second to fifth years, inclusive	17	435
	118	648

16. CAPITAL COMMITMENTS

Save as disclosed elsewhere in the Financial Information, Xianglan Brazil did not have any significant capital commitment at 31 December 2008 and 31 October 2009.

17. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the Financial Information, Xianglan Brazil paid financial advisory fees of HK$92,000 to a company owned by a director, Mr. George Pikielny, for ten months ended 31 October 2009.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

18.1 Categories of financial assets and liabilities

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

	31 December 2008	**31 October 2009**
	HK$'000	*HK$'000*
Financial assets		
Loan and receivables		
Other receivables	–	108
Amount due from a director	–	44
	–	152
Cash at bank	–	20,309
	–	20,461
Financial liabilities		
Financial liabilities at amortised cost		
Other payables	–	171
Amount due to a shareholder	–	20,182
	–	20,353

18.2 Foreign currency risk

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

18.3 Interest rate risk

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

18.4 Fair value

The fair values of Xianglan Brazil's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

18.5 Credit risk

Xianglan Brazil's maximum credit risk exposure of its financial assets is summarised in note 18.1 above.

In the opinion of the director of Xianglan Brazil, Xianglan Brazil does not have significant credit risk exposure because Xianglan Brazil's cash balances are mainly deposited with banks.

There is no requirement for collateral by Xianglan Brazil.

18.6 Liquidity risk

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

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

All Xianglan Brazil's financial liabilities in note 18.1 are repayable on demand from the period end date.

19. CAPITAL MANAGEMENT

Xianglan Brazil's objectives when managing capital include:

(i) To safeguard Xianglan Brazil's ability to continue as going concern, so that it continues to provide returns for equity holders and benefits for other stakeholders;

(ii) To support Xianglan Brazil's stability and growth; and

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

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

Xianglan Brazil 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, Xianglan Brazil may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or raise new debts, or sell assets to reduce debt.

The director of Xianglan Brazil regards total equity as capital, for capital management purpose. The amounts of capital as at 31 October 2009 were represented by net assets of HK$2,037,000, which the director of Xianglan Brazil considers the current capital component as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

20. CONTINGENT LIABILITIES

Under Brazilian mining laws, an exploration right holder has a right of way to secure his undisturbed access and peaceful use of the land specified in the exploration license for the purpose of carrying out the exploration work. However, if damages were done to the land as a result of the exploration work, the exploration right holder may be held liable to pay compensation to the surface right holder concerned for such damages done. Otherwise, the exploration right holder does not have any obligation towards the surface right holder at the exploration stage. In the opinion of the director of Xianglan Brazil, the surface right holders did not suffer any losses or damages arising from the exploration works conducted by Xianglan Brazil because the areas concerned have already been reinstated by Xianglan Brazil before 31 October 2009. Therefore, Xianglan Brazil is not liable to pay any compensation to the surface right holders.

21. SUBSEQUENT EVENTS

4,562,400 issued shares of Xianglan Brazil amounted to approximately R$4,562,000 (equivalent to approximately HK$20,182,000) were paid up by the shareholder which was settled through the current account with the shareholder in November 2009. 213,940 issued shares of Xianglan Brazil amounted to approximately R$214,000 (equivalent to approximately HK$939,000) were paid up by the shareholder which was settled in cash in December 2009.

Save as disclosed elsewhere in the Financial Information, no other significant subsequent event has taken place subsequent to 31 October 2009.

Yours faithfully,

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

(B) MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF XIANGLAN BRAZIL

The following is the management discussion and analysis of Xianglan Brazil for the period from 11 November 2008 (date of incorporation) to 31 December 2008 and the period from 1 January 2009 to 31 October 2009.

(i) For The Period From 11 November 2008 (Date of Incoporation) to 31 December 2008

(a) Financial Review

Xianglan Brazil had not commenced operation for the period from 11 November 2008 (date of incorporation) to 31 December 2008.

(b) Liquidity and Financial Resources

As at 31 December 2008, Xianglan Brazil had no assets and no liabilities and accordingly no current ratio (current assets/current liabilities) and no gearing ratio (total borrowings/total equity) was available.

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

As at 31 December 2008, Xianglan Brazil had (i) no equity; (ii) no exposure to fluctuations in exchange rates and related hedges; (iii) no charges on its assets and (iv) no investment held.

(d) Material Acquisitions and Disposals and Significant Investments

During the period from 11 November 2008 (date of incorporation) to 31 December 2008, Xianglan Brazil did not make any material acquisitions and disposals of subsidiaries and affiliated companies and investment.

(e) Segment information

No operating segment information has been presented as Xianglan Brazil had no operations, assets and liabilities during the period from 11 November 2008 (date of incorporation) to 31 December 2008.

(f) Employees

For the period from 11 November 2008 (date of incorporation) to 31 December 2008, Xianglan Brazil had one director and there was no salaries or emoluments incurred for the period.

(g) Contingent liabilities

As at 31 December 2008, Xianglan Brazil did not have any significant contingent liabilities.

(ii) For the Period from 1 January 2009 to 31 October 2009

(a) Financial Review

No revenue was generated by Xianglan Brazil for the period from 1 January 2009 to 31 October 2009. Xianglan Brazil reported a loss of HK$1,872,000 and a total comprehensive loss of HK$1,195,000 for the period. Loss for the period comprised mainly legal and professional fees of HK$650,000, travel expenses of HK$462,000, financial advisory fees of HK$109,000 and rent and rates of HK$98,000.

(b) Liquidity and Financial Resources

As at 31 October 2009, Xianglan Brazil had net assets of HK$2,037,000. Total assets comprised property, plant and equipment of HK$316,000, intangible assets – exploration and evaluation assets of HK$1,672,000, deposits and other receivables of HK$150,000, amount due from a director of HK$44,000 and cash and cash equivalents of HK$20,309,000. Total liabilities comprised other payables and accrued expenses of HK$272,000 and amount due to a shareholder of HK$20,182,000.

As at 31 October 2009, the current ratio (current assets/current liabilities) of Xianglan Brazil was 1.0 and the gearing ratio (total borrowings/total equity) of Xianglan Brazil was not applicable since Xianglan Brazil had no borrowings as at 31 October 2009.

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

As at 31 October 2009, total equity of Xianglan Brazil amounted to HK$2,037,000, which comprised paid up capital of HK$3,232,000 and loss for the period from 1 January 2009 to 31 October 2009 of HK$1,195,000.

As at 31 October 2009, Xianglan Brazil had (i) no exposure to fluctuations in exchange rates and related hedges; (ii) no charges on its assets and (iii) no investment held.

(d) Material Acquisitions and Disposals and Significant Investments

During the period from 1 January 2009 to 31 October 2009, Xianglan Brazil did not make any material acquisitions and disposals of subsidiaries and affiliated companies and investment.

(e) Segment information

No operating segment information has been presented as all operations, assets and liabilities of Xianglan Brazil during the period from 1 January 2009 to 31 October 2009 were related to the exploration of potential manganese mineral resources in Brazil.

(f) Employees

For the period from 1 January 2009 to 31 October 2009, Xianglan Brazil had one director and there was no salaries or emoluments incurred for the period.

(g) Contingent liabilities

Under Brazilian mining laws, an exploration right holder has a right of way to secure his undisturbed access and peaceful use of the land specified in the exploration license for the purpose of carrying out the exploration work. However, if damages were done to the land as a result of the exploration work, the exploration right holder may be held liable to pay compensation to the surface right holder concerned for such damages done. Otherwise, the exploration right holder does not have any obligation towards the surface right holder at the exploration stage. In the opinion of the director of Xianglan Brazil, the surface right holders did not suffer any losses or damages arising from the exploration works conducted by Xianglan Brazil because the areas concerned have already been reinstated by Xianglan Brazil before 31 October 2009. Therefore, Xianglan Brazil is not liable to pay any compensation to the surface right holders.

As at 31 October 2009, Xianglan Brazil did not have any significant contingent liabilities.

The following is the text of a report received from Hill Talent's reporting accountant, Grant Thornton, for the purpose of incorporation into this circular.

Grant Thornton
均富

Member of Grant Thornton International Ltd

24 February 2010

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

Dear Sirs,

We set out below our report on the financial information of Hill Talent Limited ("Hill Talent"), in Sections I and II below, including the statement of financial position as at 31 October 2009, statement of comprehensive income, cash flow statement and statement of changes in equity for the period from 20 August 2009 (date of incorporation) to 31 October 2009 (the "Relevant Period") and the notes thereto (the "Financial Information"), prepared for inclusion in the circular (the "Circular") dated 24 February 2010 issued by Honbridge Holdings Limited (the "Company") in connection with the proposed acquisition of the entire issued share capital of Hill Talent (the "Proposed Acquisition"). Upon completion of the Proposed Acquisition, the Company will directly own the entire equity interest of Hill Talent and will indirectly own 66% equity interest of Xianglan Do Brasil Mineração Ltda.

Hill Talent was incorporated in the British Virgin Islands ("BVI") on 20 August 2009 with limited liability with an authorised share capital of US$50,000 at US$1 each and issued share capital of US$2 at US$1 each which have been fully paid up. The address of Hill Talent's registered office of business is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI. Hill Talent was inactive during the Relevant Period.

The financial statements of Hill Talent for the Relevant Period (collectively referred to as the "Underlying Financial Statements") were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Financial Information for the Relevant Period is prepared based on the Underlying Financial Statements.

Directors' responsibility

The directors of the Company are responsible for the Financial Information presented in this report and 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.

The directors of Hill Talent are responsible for the contents of the Circular in which this report is included.

For the Financial Information, the directors of Hill Talent are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountants' responsibility

For the Financial Information, our responsibility is to express an opinion based on our examination and to report our opinion to you. We examined the Underlying Financial Statements used in preparing the Financial Information, and carried out independent audit procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountants" issued by the HKICPA.

Opinion

In our opinion, the Financial Information gives a true and fair view of the financial positions of Hill Talent as at 31 October 2009 and of the results and cash flows of Hill Talent for the Relevant Period.

I. FINANCIAL INFORMATION

Statement of Comprehensive Income

	Notes	Period from 20 August 2009 (date of incorporation) to 31 October 2009 *HK$*
Revenue	*5*	–
Income tax expense	*7*	–
Result for the period		–
Other comprehensive income for the period		–
Total comprehensive result for the period		–

Statement of Financial Position

	Note	31 October 2009 *HK$*
ASSETS AND LIABILITIES		
Current assets		
Cash on hand		16
Net current assets/Net assets		16
EQUITY		
Share capital	*9*	16
Total equity		16

Cash Flow Statement

	Period from 20 August 2009 (date of incorporation) to 31 October 2009
	HK$
Cash flows from financing activities	
Proceeds from issuance of shares	16
Net cash generated from financing activities	16
Net increase in cash and cash equivalents	16
Cash and cash equivalents at beginning of period	–
Cash and cash equivalents at end of period	16
Analysis of the cash and cash equivalents	
Cash on hand	16

Statement of Changes in Equity

	Share capital
	HK$
At 20 August 2009 (date of incorporation)	–
Capital contribution from shareholders	16
At 31 October 2009	16

II. NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION

The Financial Information sets out in this report has been prepared in accordance with HKFRSs which collective term includes all applicable individual HKFRSs and Interpretations issued by the HKICPA. The Financial Information also includes 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 and have been consistently applied throughout the Relevant Period.

2. ADOPTION OF NEW OR AMENDED HKFRSs

At the date of authorisation of these Financial Information, Hill Talent has not early adopted the following new or amended HKFRSs that have been published but are not yet effective:

HKAS 24 (Revised)	Related Party Disclosures [3]
HKAS 32 (Amendment)	Classification of Right Issues [5]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters [2]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions [2]
HKFRS 9	Financial Instruments [4]
HK(IFRIC) – Int 14 (Amendment)	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]
HK(IFRIC) – Int 19	Extinguishment Financial Liabilities with Equity Instruments [1]
Various	Annual Improvements to HKFRSs 2009 [6]

Notes:

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of this Financial Information are summarised below.

The Financial Information has been prepared on the historical cost convention. The measurement bases are fully described in the accounting polices below.

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 Foreign currency translation

The Financial Information of Hill Talent is presented in Hong Kong Dollars ("HK$"). The functional currency of Hill Talent is United States Dollars ("US$"). Foreign currency transactions are translated into the functional currency of Hill Talent using the exchange rates prevailing at the dates of the transactions. At the period/year end date, monetary assets liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the period/year end date. Foreign exchanges gains and losses resulting from the settlement of such transactions and from the period/year end date retranslation of monetary assets and liabilities are recognised in the profit or loss for the period.

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.

The Financial Information of Hill Talent has been translated from the functional currency into US$ to the presentation currency into HK$. Assets and liabilities have been translated into HK$ at the closing rate at the period/year end 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 on translation from the functional currency to the presentation currency are recognised in other comprehensive income and accumulated in the separate exchange fluctuation reserve in equity. In the opinion of the director of the Company, the presentation of the Financial Information of Hill Talent in HK$ provides a more relevant information about the circular.

3.3 Revenue recognition

Revenue is recognised when it is probable that the economics benefits will flow to Hill Talent and when the revenue can be measured reliably.

3.4 Cash and cash equivalents

Cash and cash equivalents represent cash on hand.

3.5 Share capital

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

3.6 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 period/year end 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 period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the profit or loss for the period/year.

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

Deferred tax assets and liabilities are not recognised if the temporary difference arises from 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 periods the liability is settled or the asset realised, provided they are enacted or substantively enacted at the period/year end date.

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

3.7 Provisions, contingent liabilities and contingent assets

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

All provisions are reviewed at each period/year end 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 uncertain events not wholly within the control of Hill Talent are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.8 Related parties

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

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

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

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

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

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

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

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

3.9 Operating segment

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-makers.

No operating segment information are presented as Hill Talent is inactive during the Relevant Period.

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. Hill Talent did not use critical accounting estimates and judgements in the preparation of the financial statements and the estimates and judgements used did not have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period/year.

5. REVENUE

During the Relevant Period, Hill Talent did not generate any turnover.

6. RESULT BEFORE INCOME TAX

Hill Talent did not incur auditors' remuneration during the Relevant Period.

7. INCOME TAX EXPENSE

No income tax has been provided as Hill Talent did not derive any assessable profit in Hong Kong during the Relevant Period.

As at 31 October 2009, Hill Talent did not have any significant unprovided deferred tax liabilities.

8. DIRECTORS' REMUNERATION AND HIGHEST PAID INDIVIDUALS

Directors' emoluments

	Fees	Salaries and allowances	Contribution to defined contribution plan	Total
	HK$	*HK$*	*HK$*	*HK$*
For the period from 20 August 2009 (date of incorporation) to 31 October 2009:				
Lü Xin Jiang	–	–	–	–
Chen Xing Gang	–	–	–	–
	–	–	–	–

\# The directors were appointed on 30 October 2009.

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

Five highest paid individuals

During the Relevant Period, no emoluments were paid by Hill Talent to the directors or the individuals and no emoluments were paid as an inducement to join or upon joining Hill Talent or as compensation for loss of office.

9. SHARE CAPITAL

	Number of shares	Par value
		HK$* *(HK$ equivalent)
Authorised:		
Ordinary shares of US$1 each at 20 August 2009 (date of incorporation) and 31 October 2009	50,000	390,000
Issued and fully paid:		
Ordinary shares of US$1 each at 20 August 2009 (date of incorporation)	–	–
Paid up issued shares during the period	2	16
Ordinary shares of US$1 each at 31 October 2009	2	16

On 20 August 2009, Hill Talent was incorporated with authorised share capital of US$50,000 which comprises 50,000 ordinary shares of US$1 each. 2 ordinary shares of Hill Talent of US$1 each were issued and fully paid up on 30 October 2009.

10. COMMITMENTS

Hill Talent did not have any significant capital commitment and operating commitment at 31 October 2009.

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

11.1 Categories of financial assets

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

	31 October 2009
	HK$
Financial assets	
Cash on hand	16

11.2 Foreign currency risk

Hill Talent's exposure to currency exchange rates is minimal as Hill Talent usually holds all of their financial assets/liabilities in its own functional currencies. Currently Hill Talent does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

11.3 Interest rate risk

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

11.4 Fair value

The fair values of Hill Talent's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

11.5 Credit risk

Hill Talent's maximum credit risk exposure of its financial assets is summarised in note 11.1 above.

There is no requirement for collateral by Hill Talent.

11.6 Liquidity risk

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

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

12. CAPITAL MANAGEMENT

Hill Talent's objectives when managing capital include:

(i) To safeguard Hill Talent's ability to continue as going concern, so that it continues to provide returns for equity holders and benefits for other stakeholders;

(ii) To support Hill Talent's stability and growth; and

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

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

Hill Talent 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, Hill Talent may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or raise new debts, or sell assets to reduce debt.

The directors of Hill Talent regard total equity as capital, for capital management purpose. The amounts of capital as at 31 October 2009 were represented by net assets of HK$16, which the directors of Hill Talent consider the current capital component as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

13. CONTINGENT LIABILITIES

Hill Talent did not have any significant contingent liabilities at 31 October 2009.

14. SUBSEQUENT EVENTS

No significant subsequent event has taken place subsequent to 31 October 2009.

Yours faithfully,

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

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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 on the financial position of the Enlarged Group as at 31 December 2008 and the results and cash flows of the Enlarged Group for the year ended 31 December 2008. 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.

The unaudited pro forma consolidated balance sheet of the Enlarged Group is prepared, in accordance with the accounting policies of the Group under Hong Kong Financial Reporting Standards ("HKFRS") based on the latest audited consolidated balance sheet of the Group as at 31 December 2008 extracted from the published annual report of the Company as set out in Appendix I to this circular and the latest audited statements of financial position of Hill Talent and Xianglan Brazil as at 31 October 2009 extracted from the accountants' reports on Hill Talent and Xianglan Brazil as set out in Appendices III and II to this circular, respectively as if the Proposed Acquisition had been completed on 31 December 2008.

The unaudited pro forma consolidated income statement and cash flow statement of the Enlarged Group are prepared, in accordance with the accounting policies of the Group under HKFRS, based on the latest audited consolidated income statement and cash flow statement of the Group for the year ended 31 December 2008 extracted from the published annual report of the Company as set out in Appendix I to this circular, the latest audited statements of comprehensive income and cash flow statements of Hill Talent for the period from 20 August 2009 (date of incorporation of Hill Talent) to 31 October 2009 extracted from the accountants' report on Hill Talent as set out in Appendix III to this circular, and the latest audited statements of comprehensive income and cash flow statements of Xianglan Brazil for ten months ended 31 October 2009 extracted from the accountants' report on Xianglan Brazil as set out in Appendix II to this circular as if the Proposed Acquisition had been completed on 1 January 2008.

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

	The Group as at 31 December 2008	Xianglan Brazil as at 31 October 2009	Hill Talent as at 31 October 2009	Unaudited pro forma adjustments							Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	*(Note (2)(a))*	*(Note (2)(b))*	*(Note (2)(c))*	*(Note (2) and (5))*	*(Note (3) and (5))*	*(Note (4)(a) and (5))*	*(Note (7))*	(Unaudited)
ASSETS AND LIABILITIES											
Non-current assets											
Property, plant and equipment	27,178	316	–								27,494
Prepaid land lease payments	21,285	–	–								21,285
Goodwill	35,686	–	–								35,686
Intangible assets – "exploration and evaluation assets"	–	1,672	–			1,308,987					1,310,659
Deposits	3,460	–	–								3,460
	87,609	1,988	–								1,398,584
Current assets											
Inventories	14,069	–	–								14,069
Trade and bills receivables	6,152	–	–								6,152
Prepayments, deposits and other receivables	9,100	150	–							44	9,294
Amount due from a director	–	44	–							(44)	–
Cash and cash equivalents	20,776	20,309	–								41,085
	50,097	20,503	–								70,600
Current liabilities											
Trade payables	7,510	–	–								7,510
Other payables, accrued expenses and receipts in advance	22,349	272	–								22,621
Amount due to a shareholder	–	20,182	–	(20,182)							–
Borrowings	18,112	–	–								18,112
Convertible bonds	14,001	–	–								14,001
	61,972	20,454	–								62,244
Net current (liabilities)/assets	(11,875)	49	–								8,356
Total assets less current liabilities	75,734	2,037	–								1,406,940
Non-current liabilities											
Borrowings	937	–	–								937
Loans from ultimate holding company	43,292	–	–								43,292
Convertible bonds	–	–	–						205,941		205,941
Deferred tax liabilities	693	–	–			445,056					445,749
	44,922	–	–								695,919
Net assets	30,812	2,037	–								711,021
EQUITY											
Equity attributable to equity holders of the Company											
Share capital	3,413	3,232	–	20,182			(23,414)	600			4,013
Reserves	7,713	(1,195)	–				1,195	264,972	113,346		386,031
	11,126	2,037	–								390,044
Minority interest	19,686	–	–		7,554	293,737					320,977
Total equity	30,812	2,037	–								711,021

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

	The Group for year ended 31 December 2008	Xianglan Brazil for the period from 1 January 2009 to 31 October 2009	Hill Talent for the period from 20 August 2009 (date of incorporation of Hill Talent) to 31 October 2009	Unaudited pro forma adjustments		Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	*(Note (4)(b))*	*(Note (6))*	(Unaudited)
Revenue	55,091	–	–			55,091
Direct operating expenses	(39,864)	–	–			(39,864)
Other operating revenue	480	–	–			480
Selling and distribution costs	(7,101)	–	–			(7,101)
Administrative expenses	(15,095)	(1,872)	–			(16,967)
Other operating expenses, net	(10,880)	–	–			(10,880)
Operating loss	(17,369)	(1,872)	–			(19,241)
Finance costs	(2,575)	–	–	(31,823)		(34,398)
Loss before income tax	(19,944)	(1,872)	–			(53,639)
Income tax expense	–	–	–			–
Loss for the year/period	(19,944)	(1,872)	–			(53,639)
Attributable to:						
Equity holders of the Company	(15,729)	(1,872)	–	(31,823)	636	(48,788)
Minority interest	(4,215)	–	–		(636)	(4,851)
Loss for the year/period	(19,944)	(1,872)	–			(53,639)

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

	The Group for year ended 31 December 2008 *HK$'000* (Audited)	Xianglan Brazil for the period from 1 January 2009 to 31 October 2009 *HK$'000* (Audited)	Hill Talent for the period from 20 August 2009 (date of incorporation of Hill Talent) to 31 October 2009 *HK$'000* (Audited)	Unaudited pro forma adjustment *HK$'000* *(Note (4)(b))*	Pro forma Enlarged Group *HK$'000* (Unaudited)
Cash flows from operating activities					
Loss before income tax	(19,944)	(1,872)	–	(31,823)	(53,639)
Adjustments for:					
Depreciation of property, plant and equipment	1,639	19	–		1,658
Amortisation of prepaid land lease payments	259	–	–		259
Impairment of inventories	5,139	–	–		5,139
Impairment of property, plant and equipment	5,349	–	–		5,349
Loss on disposals of property, plant and equipment	1	–	–		1
Equity-settled share-based payment expenses	2,706	–	–		2,706
Interest income	(162)	–	–		(162)
Interest expense on other loans	574	–	–		574
Interest expense on convertible bonds	832	–	–	31,823	32,655
Interest expense on loans from ultimate holding company	1,169	–	–		1,169
Operating loss before workings capital changes	(2,438)	(1,853)	–		(4,291)
Increase in inventories	(13,667)	–	–		(13,667)
Increase in trade and bills receivables	(99)	–	–		(99)
Increase in prepayments, deposits and other receivables	(97)	(150)	–		(247)
Increase in amount due from a director	–	(44)	–		(44)
Decrease in trade payables	(2,938)	–	–		(2,938)
(Decrease)/Increase in other payables, accrued expenses and receipts in advance	(1,944)	272	–		(1,672)
Cash used in operations	(21,183)	(1,775)	–		(22,958)
Interest paid on other loans	(574)	–	–		(574)
Net cash used in operating activities	(21,757)	(1,775)	–		(23,532)

	The Group for year ended 31 December 2008 HK$'000 (Audited)	Xianglan Brazil for the period from 1 January 2009 to 31 October 2009 HK$'000 (Audited)	Hill Talent for the period from 20 August 2009 (date of incorporation of Hill Talent) to 31 October 2009 HK$'000 (Audited)	Unaudited pro forma adjustment HK$'000 *(Note (4)(b))*	Pro forma Enlarged Group HK$'000 (Unaudited)
Cash flows from investing activities					
Interest received	162	–	–		162
Purchase of property, plant and equipment	(9,825)	(290)	–		(10,115)
Proceed from disposals of property, plant and equipment	1	–	–		1
Deposits paid for acquisition of property, plant and equipment	(2,923)	–	–		(2,923)
Acquisition of subsidiaries and businesses (net of cash and cash equivalents acquired)	(7,306)	–	–		(7,306)
Payment of intangible assets	–	(1,672)	–		(1,672)
Net cash used in investing activities	(19,891)	(1,962)	–		(21,853)
Cash flows from financing activities					
Proceeds from issuance of shares	–	3,232	–		3,232
Advance from a shareholder	–	20,182	–		20,182
Drawdown of borrowings	7,050	–	–		7,050
Drawdown of loans from ultimate holding company	47,000	–	–		47,000
Repayment of borrowings	(25,394)	–	–		(25,394)
Net cash generated from financing activities	28,656	23,414	–		52,070
Net (decrease)/increase in cash and cash equivalents	(12,992)	19,677	–		6,685
Cash and cash equivalents at beginning of year/period	33,752	–	–		33,752
Effect of foreign exchange rates, net	16	632	–		648
Cash and cash equivalents at end of year/period	20,776	20,309	–		41,085
Analysis of cash and cash equivalents					
Cash at banks and in hand	20,776	20,309	–		41,085

Notes to the pro forma financial information of the Enlarged Group:

(1) On 7 November 2009, the Company entered into the Equity Transfer Agreement with the Vendor and the Guarantor to acquire the entire issued share capital of Hill Talent at a consideration of HK$880,000,000 (the "Proposed Acquisition"). The principal amount of the aggregate consideration payable to the Vendor for the Proposed Acquisition shall be satisfied in the following manners:

(a) HK$480,000,000 will be satisfied by way of allotment and issue of 600,000,000 the Company's ordinary shares of HK$0.001 each at a price of HK$0.8 per share (the "Consideration Shares") to the Vendor or parties nominated by the Vendor; and

(b) HK$400,000,000 will be satisfied by way of issue of the HK$400,000,000 zero coupon irredeemable convertible notes (the "CN") to the Vendor or parties nominated by the Vendor.

The fair value of cost of investment as if the Proposed Acquisition was completed on 31 December 2008 which is to be satisfied in the following manners:

	HK$'000
Issue the Consideration Shares	265,572
Issue the CN	319,287
	584,859

The valuation of the Consideration Shares (note (3)) and the CN (note (4)(a)) were carried out by Roma Appraisals Limited, a firm of independent professional qualified valuers (the "Valuers").

The Consideration Shares and the CN are subject to a lock-up period of 24 months from the date of issuance of the Consideration Shares and the CN (the "Lock-Up Period"). During the Lock-Up period, the holders of the Consideration Shares and the CN cannot sell, transfer or dispose of the Consideration Shares and the CN. The Consideration Shares and the CN will be deposited with an independent escrow agent and the Company and the Vendor will enter into an escrow agreement with the independent escrow agent in this regard.

Hill Talent is wholly owned by the Vendor. As at 31 October 2009, the Guarantor and Shandong Lantong Trading Co., Ltd. owned 87.89% and 12.11% equity interest of Xianglan Brazil respectively. Upon completion of the Proposed Acquisition, the Company will directly own the entire equity interest of Hill Talent and will indirectly own 66% equity interest of Xianglan Brazil.

Xianglan Brazil is, therefore, considered by the directors of the Company as indirectly 66% owned subsidiary of the Company because Xianglan Brazil will be controlled by the Group immediately after the completion of the Proposed Acquisition. The statements of financial position of Xianglan Brazil will be consolidated with that of the Group from the date on which control is transferred to the Group.

(2) The adjustments are to reflect the effect of the Proposed Acquisition on the consolidated balance sheet of the Group as if the Proposed Acquisition had taken place on 31 December 2008.

The identifiable assets and liabilities arising from the Proposed Acquisition are as follows:

	Carrying value of Xianglan Brazil HK$'000 (Note (2)(e)) (Audited)	Carrying value of Hill Talent HK$'000 (Note (2)(e)) (Audited)	Reclassification on capital injection by a shareholder of Xianglan Brazil HK$'000 (Note (2)(a))	Minority interest arising from acquisition of subsidiaries HK$'000 (Note (2)(b))	Fair value adjustments on identifiable assets and liabilities of Xianglan Brazil HK$'000 (Note (2)(c))	Fair value of net identifiable assets to be acquired HK$'000
Property, plant and equipment	316	–				316
Intangible assets – "exploration and evaluation assets"	1,672	–			1,308,987	1,310,659
Deposits and other receivables	150	–				150
Amount due from a director	44	–				44
Cash at bank	20,309	–				20,309
Other payables and accrued expenses	(272)	–				(272)
Amount due to a shareholder	(20,182)	–	20,182			–
Deferred tax liabilities	–	–			(445,056)	(445,056)
Net assets/identifiable assets	2,037	–				886,150
Less: Minority interest	–	–		(7,554)	(293,737)	(301,291)
Net identifiable assets to be acquired	2,037	–				584,859
Fair value of cost of investment *(note (1))*						584,859

Notes:

(a) The adjustment relates to capital injection in Xianglan Brazil which was settled through the current account with the shareholder and the capital contribution was completed in November 2009.

(b) The adjustment represents share of 34% equity interests in Xianglan Brazil by the minority equity holders of Xianglan Brazil.

(c) For the preparation of the pro forma financial information, the fair value of the assets and liabilities of Xianglan Brazil is estimated by reference to the fair value of the cost of investment (the "Investment Valuation") stated in note (1) above on the ground that, in view of the existing status of exploration and availability of the source of the information, the directors of the Company considered the Investment Valuation is the most appropriate and reasonable basis of assessment of the fair values of assets and liabilities of Xianglan Brazil. Excess of the fair value of the cost of investment over the fair value of the assets and liabilities of Xianglan Brazil is recognised in the unaudited pro forma consolidated balance sheet as a fair value adjustment to intangible assets – "exploration and evaluation assets" together with the related deferred tax liabilities and minority interest. Deferred tax liabilities of HK$445,056,000 was determined at

Brazil corporate income tax rate of 34% on fair value adjustment of HK$1,308,987,000 on intangible assets – "exploration and evaluation assets" arising from the Proposed Acquisition. Minority interest of HK$293,737,000 represents the share of fair value adjustment of HK$1,308,987,000 and deferred tax liabilities of HK$445,056,000 by the minority shareholders who held 34% equity interests in Xianglan Brazil as at 31 October 2009. Save for the adjustments on the fair value on intangible assets – "exploration and evaluation assets" together with the deferred tax and minority interest's effect, the directors of the Company are of the opinion that no other fair value adjustment is required for other assets and liabilities as the carrying values of other assets and liabilities approximate their fair values. On the completion of the Proposed Acquisition, the fair value of the assets and liabilities of Xianglan Brazil will be reassessed and accordingly, their fair values at the date of the Proposed Acquisition will probably be different from those for the preparation of this pro forma financial information. Accordingly, the actual goodwill at the date of the completion of the Proposed Acquisition may be different from that presented above.

(d) The directors of the Company are of the opinion that Xianglan Brazil will be able to renew the exploration licenses with the relevant government authorities continuously because there are no material legal obstacles for Xianglan Brazil to renew the exploration licenses based on the legal due diligence review performed by the Company's Brazilian legal advisers.

(e) The directors of the Company are of the opinion that no provision for contingent liabilities of Xianglan Brazil is required. The directors of the Company considered that Xianglan Brazil is not liable to pay any compensation to the surface right holders under the local jurisdiction because the damages area caused by Xianglan Brazil have already been reinstated.

(f) The carrying values of Xianglan Brazil and Hill Talent at 31 October 2009 were extracted from the accountants' reports on Xianglan Brazil and Hill Talent as set out in Appendices II and III to this circular respectively.

(g) For the purpose of the preparation of the pro forma financial information, transaction costs are assumed to be nil.

(3) The adjustments represent the Consideration Shares issued for the Proposed Acquisition as if the Consideration Shares were issued on 31 December 2008. The valuation of the Consideration Shares was carried out by the Valuers, and the valuation date is 31 December 2008. The fair value of the Consideration Shares will have to be reassessed as at the date of the completion of the Proposed Acquisition.

	HK$'000
Share capital	
Issue of Consideration Shares (being 600,000,000 shares of HK$0.001 each)	600
Premium on share issues	
Issue of Consideration Shares	264,972

(4) (a) The adjustments represent the liability and equity components of the CN issued for the Proposed Acquisition as if the CN was issued on 31 December 2008. The valuation of the CN was carried out by the Valuers and the valuation date is 31 December 2008. The fair value of liability component of the CN of HK$205,941,000 is determined using the discounted cashflow method. The fair value of the CN's equity component of HK$113,346,000 is determined using the Trinomial option pricing model on the basis that the conversion price adjustments as stipulated in the agreement are anti dilutive provision that the conversion option is equity component and would not be separately accounted for. The fair value of the CN will have to be reassessed as at the date of the completion of the Proposed Acquisition.

(b) The adjustment represents the imputed interest expenses on the CN, assuming effective interest rates of 18.93% per annum, as if the CN was issued on 1 January 2008. The valuation of the CN was carried out by the Valuers and the valuation date is 1 January 2008. The fair value of liability component of the CN of HK$168,129,000 is determined using the method of discounted cashflow. This unaudited pro forma adjustment will have continuing income statement effect to the Enlarge Group, and the actual amount will vary according to the timing the CN being converted and the applicable effective interest rates.

(5) The adjustments are to reflect the following transactions arising as if the Proposed Acquisition was completed on 31 December 2008.

	HK$'000
Premium on share issues *(note (3))*	264,972
Equity component on the CN *(note (4)(a))*	113,346
Reserves of Hill Talent and Xianglan Brazil as at 31 October 2009 (as extracted from Appendices III and II)	1,195
	379,513

(6) The reduction of 34% of the results of Xianglan Brazil represented the share by the minority equity holders in the unaudited pro forma consolidated income statement.

(7) The adjustment represents the reclassification of accounts under the Enlarge Group.

5. LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

Grant Thornton
均富

Member of Grant Thornton International Ltd

24 February 2010

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 Hill Talent Limited ("Hill Talent") and Xianglan Do Brasil Mineração Ltda ("Xianglan Brazil") (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 the entire issued share capital of Hill Talent (the "Proposed Acquisition") and 66% effective interest of the Company in Xianglan Brazil upon the completion of the Proposed Acquisition, might have affected the financial information presented, for the inclusion in Appendix IV of the Company's circular dated 24 February 2010 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages IV-1 to IV-9 of Appendix IV 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 2008 had the Proposed Acquisition actually been completed on that date or any future date; or

- the results and cash flows of the Group for the year ended 31 December 2008 had the Proposed Acquisition actually been completed on 1 January 2008 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
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

The following is the text of the report of the valuation of the Mineral Resources dated 4 January 2010 prepared by Roma Appraisals for the purpose of inclusion in this circular.

ROMA
ROMA APPRAISALS LIMITED

Room 1603, Tung Chiu Commercial Centre,
193 Lockhart Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@roma-international.com
http://www.roma-international.com

4 January 2010

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

Dear Sir/Madam,

1. INSTRUCTIONS

In accordance with the instructions from Honbridge Holdings Limited (hereinafter referred to as the "Company") for us to value the market value of 100% interest in Xianglan Brazil Mining Co. Ltd (hereinafter referred to as the "Business Enterprise"), which holds 3 exploration licenses in connection with the right to explore manganese deposits and substances from an aggregate exploration area of 5,757.08 hectares in Brazil (hereinafter collectively be referred to as the "Mineral Resources").

We are pleased to report that we have made relevant enquiries and obtained other information which we consider are relevant for the purpose of providing our opinion of the market value of 100% interest of the Business Enterprise as at 31 December 2009 (hereinafter referred to as the "Date of Valuation").

This report states the purpose and basis of valuation, scope of work, economic and industry overview, an overview of the Business Enterprise, major assumptions, valuation methodology, limiting conditions, and presents our opinion of value.

2. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. The Company is a public company listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited. In addition, Roma Appraisals Limited ("Roma Appraisals") acknowledges that this report may be made available to the Company for public documentation purpose and included in the Company's circular only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

3. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and on information provided by the management of the Company, the management of the Business Enterprise and/or its representative(s) (together referred to as the "Management").

In preparing this report, we have had discussions with the Management in relation to the development and prospect of the manganese industry in Brazil and a number of countries worldwide, and the development, operations and other relevant information of the Business Enterprise. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

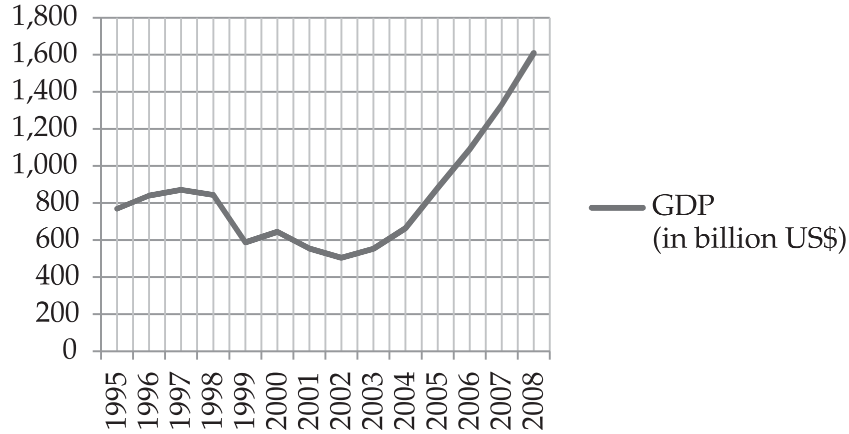
4. ECONOMIC OVERVIEW

4.1 Overview of the Economy in Brazil

Brazil, as the largest country in South America, is one of the fast-growing developing countries in the world in terms of Gross Domestic Product ("GDP") growth. Brazil possesses one-fifth of the whole world's biodiversity and accounts for about 60% of the South American economy's industrial production. Mining and mineral products provided about 2% to Brazil's GDP.

Brazil was able to endure the global financial crisis in 2008 with relatively minor implications. According to the Brazilian Institute of Geography and Statistics ("IBGE", *Portuguese*: Instituto Brasileiro de Geografia e Estatística), the GDP of the first quarter of 2009 dropped by 1.8% compared to the same period last year. The GDP growth rate accumulated in the four quarters which ended in March 2009 was 3.1% higher than that of the immediately previous four quarters. According to the World Bank, the GDP of Brazil had increased from US$1,330 billion in 2007 to US$1,610 billion in 2008. Figure 1 shows the trend of GDP of Brazil from 1995 to 2008, which illustrates Brazil's substantial growth in GDP over the past decade.

Figure 1 – Brazil's GDP from 1995 to 2008



Source: Brazilian Institute of Geography and Statistics

5. INDUSTRY OVERVIEW

5.1 Worldwide Manganese Industry

5.1.1 Overview

Manganese is mainly used in iron and steel production, or as alloying agent for aluminum. There are presently no close substitutes to manganese. The world average amount of manganese alloyed into iron production is about 10 kilogram per tonne, and this is also dependent on the product types and the technological progress of different countries.

Demand for steel has been rising due to the ongoing economic boom leading to rapid growth in various industries in China and India, the world's two largest populous countries in Asia, with simultaneous increase in production leading to wide fluctuations in steel prices. Demand for manganese as an ingredient in steel production will therefore increase at the same time.

5.1.2 World Manganese Production

Total world production of manganese alloys reported by the International Manganese Institute amounted to 13.7 million tonnes in 2008, a 3% increase from that of the previous year. The cost of producing manganese had been rising throughout the year 2008. China was the top manganese producing country in 2008, followed by South Africa. Brazil, which accounted for 9% of the world production, was ranked fifth on the list. Figure 2 shows the top manganese producing countries in 2008.

Figure 2 – Top Manganese Producers in 2008

Country	Production (’000 tonnes)	Share of World Production
China	3,400	24%
South Africa	3,000	21%
Australia	2,300	16%
Gabon	1,600	11%
Brazil	1,300	9%
India	826	6%
Ukraine	688	5%

Source: International Manganese Institute

5.1.3 World Manganese Consumption

Over 80% of global manganese production is consumed by steel production. Therefore, its consumption is mainly derived from steel demand and has a direct influence from the steel industry. Steel production has been increasing since 2006, until the global financial crisis struck in 2008 which significantly affected worldwide demand for steel. As the global economy recovers, worldwide steel production is on an upward trend once again and therefore the demand for manganese will also increase at the same time. According to the International Manganese Institute, the estimated world demand for manganese ore was about 13.6 million tonnes in 2008, approximately 4.2% higher than that of the previous year.

5.2 Brazil Manganese Industry

5.2.1 Overview

Brazil is the largest country in South America, with ample resources such as manganese and iron. In the late 1990s to early 2000s, Brazil’s mineral and energy sector had undergone market liberalization by allowing competitions and increased investments in these markets. However, as the basic infrastructure is limited and the economy of Brazil is still developing, there are a number of mines yet to be explored.

5.2.2 Brazil’s Production of Manganese

Brazil is a leading producer of various minerals, including manganese, in South America. Figure 3 shows the manganese ore production in Brazil from 1997 to 2008. The production volume increased steadily from 2001 to 2005, but the figure remained low in 2007 and 2008 due to the excessive supply of manganese alloys. While there are many manganese mines that are yet to be explored, it implies that the manganese market in Brazil has potentials to grow in 2009 and the coming years.

Figure 3 – Brazil's Manganese Ore Production

Year	*('000 tonnes)*
1997	2,124
1998	1,940
1999	1,656
2000	2,192
2001	1,970
2002	2,529
2003	2,544
2004	3,143
2005	3,200
2006	3,128
2007	1,700
2008	1,300

Source: South America Mineral Production 1997-2006,
British Geological Survey (for data from 1997 to 2006)
International Manganese Institute (for data from 2007 to 2008)

6. THE BUSINESS ENTERPRISE

6.1 The Business Enterprise

The Business Enterprise is a company incorporated in Brazil on 11 November 2008. It mainly involves in identifying and exploring mineral resources, as well as processing, trading and selling mineral resources. It is currently in search of opportunities in trading mineral resources and products.

6.2 The Three Manganese Mineral Resources and The Exploration Licenses

The Business Enterprise holds the following exploration licenses at the moment.

Mine No.	**Exploration Licenses**	**Covering Area**	**Duration**
1	DNPM No.872.734/2006	2,000 hectares (20 km^2)	From 29/12/2006 to 29/12/2009
2	DNPM No.872.958/2006	2,000 hectares (20 km^2)	From 29/12/2006 to 29/12/2009
3	DNPM No.870.140/2007	1,757.08 hectares (17.6 km^2)	From 23/4/2007 to 23/4/2010

The total area covered by the three exploration licenses is added up to be 5,757.08 hectares. It is estimated that potential mineral resources no.1, no.2 and no.3 as mentioned above contain 2,175, 3,915 and 2,175 thousand tonnes of resources of manganese respectively.

7. BASIS OF VALUATION

Our valuation is based on going concern premise and conducted on a market value basis. **Market value** is defined as "the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction".

8. INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the Management in relation to the development and prospect of the manganese industry in Brazil and a number of countries worldwide, and the development, operations and other relevant information of the Business Enterprise. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the manganese industry from external public sources as we considered necessary for the purpose of valuation. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise provided to us by the Management and have considered such information and data as attainable and reasonable. We have also consulted other sources of financial and business information.

The valuation of the Business Enterprise requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of the Business Enterprise;
- The financial condition of the Business Enterprise;
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market;
- Relevant licenses and agreements;
- The business risk of the Business Enterprise such as the ability in maintaining competent technical and professional personnel; and
- Investment returns and market transactions of entities engaged in similar lines of business.

9. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the Business Enterprise, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

9.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities in companies that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

9.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

9.3 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("equity and long term debt"). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity ("equity") and investors who lend money to the business entity ("debt"). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

9.4 Business Valuation

In the process of valuing the Business Enterprise, we have taken into account of the uniqueness of its operation and the industry it is participating. The Income-Based Approach is not adopted in this case because the Mineral Resources are still in the exploration stage of operation, and implementation plans of mining are not yet available. The Asset-Based Approach is not adopted because it cannot reflect the market value of the Business Enterprise. We have therefore considered the adoption of Market-Based Approach in arriving at the market value of the Business Enterprise.

Under the Market-Based Approach, the Market Transaction Method is adopted, which determines the market value of an asset by reference to the consideration price, or "valuation multiples" implicit in the consideration price, of similar transactions in the market. A valuation multiple is a multiple determined by dividing the consideration price of a transaction involving similar assets by a measurement unit. In working out the valuation multiple for the Mineral Resources, the amount of manganese resources, measured in tonnes, held by the particular company is considered to be the most appropriate measurement unit. We have determined the "consideration price to resources" multiples of comparable companies and then applied these multiples to the data of the Mineral Resources provided by the Company.

In the course of our valuation, we have carried out searches for transactions of manganese mineral resources in 2009 from public sources, including a number of stock exchanges globally. With our utmost care and best endeavours to include as much as possible the suitable and relevant transactions of manganese mineral resources as we were aware and those that were come to our attention. The comparable transactions were selected on the following criteria:

- The comparable manganese mineral resources transactions were done by listed companies worldwide;

- The comparable manganese mineral resources are either developed or subject to development and/or technological reform plans; and

- The amount of manganese resources and the production scales of the comparable manganese mineral resources are within comparable ranges of the Mineral Resources.

Six comparable transactions related to manganese mines worldwide were referred to when using the market-based approach in the valuation. The nature, the presentation methods and other parameters are the factors that these transactions can be deemed as appropriate to be included. They are listed below:

	Company Name	Date of Transaction	Consideration Price *(US$ million)*	Equity Interest in the Transaction	Manganese Resources *(million tonnes)*	Consideration Price/ Resources *(US$/tonne)*
1	African Rainbow Mineral Gold Ltd (JSE: AOD)	22 April 2002	N/A	34.5%	6.036	N/A
2	Centaurus Resources Ltd (ASX: CUR)	30 May 2008	23.27[1]	100%	6	3.905
3	PHI Mining Limited (OTC: PHIG.PK)	2 July 2009	5.5	51%	0.3	35.95
4	Ecometals Limited (TSX-V: EC)	17 July 2009	N/A	66.67%	6.66	N/A
5	Western Uranium Limited (ASX: WTN)	12 November 2009	Settled in shares and options	100%	164	N/A
6	Genesis Resources Limited (AUX: GES)	26 November 2009	0.6852[2]	45%	0.246	6.19

Descriptions of the companies involved in the transactions:

1. *African Rainbow Minerals Gold Limited (JSE: AOD, Johannesburg Stock Exchange):* The company owns and operates gold mines and shafts in South Africa. It also operates the gold assets of the former Free State Consolidated Gold Mine Limited through a joint venture with Harmony Gold Mining Company.

2. *Centaurus Resources Limited (ASX: CUR, Australia Stock Exchange):* The company mainly explores for base metals and gold in Australia. In July 2008, it acquired highly prospective Ponte de Pedra Manganese Project in Brazil.

1 The transaction involved payment of R$3,313,200 for share options and a subsequent payment of R$34,788,600 (“R$” here refers to Brazilian Reals). The exchange rate of R$1=US$0.6108 as at 30 May 2008 was adopted.

2 The consideration price of 246,000 tonnes of manganese held by the target company, WDR Base Metals Pty Ltd, was A$0.75m (“A$” here refers to Australian Dollars). The exchange rate of A$1=US$0.9136 as at 26 November 2009 was adopted.

3. *PHI Mining Limited (OTC: PHIG.PK, OTC Market, United States):* A US-based mining and exploration enterprise focused on acquiring and developing industrial metal and mineral properties. The company has entered into agreements to acquire interests in copper, black marble, granite, lead and zinc, and limestone properties in Cambodia, Thailand and Vietnam and has partnered with VCS Mining, LLC. to explore mining opportunities in Haiti.

4. *Ecometals Limited (TSX-V: EC, Toronto Stock Exchange):* It is a mineral exploration and development company focused on the mineral resources in Latin America. The company also has significant manganese and iron projects in Brazil at grass roots and development planning stages.

5. *Western Uranium Limited (ASX: WTN, Australia Stock Exchange):* It is a Perth-based uranium exploration company which continues to actively search for new projects, both within Australia and offshore. The company's acquisition decisions are focused on drill-ready exploration projects through to advanced projects with existing resources and upside potential.

6. *Genesis Resources Limited (ASX: GES, Australia Stock Exchange):* A mineral exploration company. The company currently owns an exploration license in Queensland and the Northern Territory of Australia and a joint venture agreement giving the Company the right to earn the majority position in gold and copper projects in Macedonia.

Among the six comparable transactions, four of them were not suitable to be included in our valuation. The first transaction was not employed because the transaction involved other metal resources. It could not reflect the market value of the manganese resources in this valuation. The second transaction was not employed because the spot price of manganese fluctuated greatly during 2008 due to the financial crisis happened in the year. The forth transaction was not employed because the consideration price of the transaction was not available. The fifth transaction was not employed because the consideration involved the issue of share options, whose value cannot be justified.

Therefore, we considered the remaining two transactions to be the most appropriate comparable transactions to the Mineral Resources whose exploration licenses are currently held by the Business Enterprise. The mining area of the first comparable transaction by PHI Mining Limited was located in Pratchin Buri Province, Thailand, while the second comparable transaction by Genesis Resources Limited included manganese projects at Gladstone in Queensland and McArthur River in the Northern Territory, Australia. Given the manganese market is international, resources from different countries will not differ greatly from each other.

In terms of consideration price per tonne of resources, the two comparables were transacted at prices ranging from US$6.19 to US$35.95. The spot price of manganese was around US$250 per tonne during the year of 2009. Given the fact that the two ratios of consideration price to resources were only about 2.48% and 14.06% respectively of the manganese price, the ratios adopted were in a reasonable range of fluctuation for this valuation.

Taken into consideration the above analysis, we conclude that the market value of the Mineral Resources can be represented by the average consideration price of the two transactions of US$21.07 per tonne of manganese resources.

According to an evaluation report (the "Evaluation Report"), the estimated amount of total exploration potential reserves is between 2.0 million and 6.8 million tonnes based on a preliminary exploratory drilling and sampling. The Evaluation Report points out that with more geological works it might be possible to increase the mineral resources up to 8 million tonnes, because of the positive geological characteristics of the mineralisation, which presents significant high-grade manganese content. We have hereby assumed that the Evaluation Report provided was reliable and therefore 8 million tonnes of resources were regarded as the maximum potential. For this reason we considered 6.8 million tonnes of resources to be the amount explorable and this figure was therefore adopted in the valuation.

10. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Business Enterprise operates or intends to operate would be officially obtained and renewable upon expiry;

- There will be sufficient supply of technical staff in the industry in which the Business Enterprise operates, and the Business Enterprise will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

- There will be no major change in the current taxation laws in the localities in which the Business Enterprise operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Business Enterprise; and

- Interest rates and exchange rates in the localities for the operation of the Business Enterprise will not differ materially from those presently prevailing.

11. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of the Business Enterprise. The factors considered included, but were not necessarily limited to, the following:

- Financial statements of the Business Enterprise;
- Historical information of the Business Enterprise;
- Market trends of the manganese industry;
- Registrations and legal documents related to the Mineral Resources;
- General descriptions in relation to the Mineral Resources;
- Economic outlook in Brazil and worldwide; and
- Copies of the exploration licenses of the Mineral Resources.

We have discussed the details with the Management. We have also conducted research from various sources to verify the reasonableness and fairness of information provided and we believe that such information is reasonable and reliable. We had assumed the accuracy of information provided and relied to a considerable extent on such information in arriving at our opinion of value.

12. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We have not investigated the title to or any legal liabilities of the Business Enterprise and have assumed no responsibility for the title to the Business Enterprise appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We assume no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely on their own risk.

13. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in United States Dollars (US$).

We hereby confirm that we have neither present nor prospective interests in the Company and its holding companies, subsidiaries and associated companies, or the values reported herein.

14. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, in our opinion, the market value of 100% interest of the Business Enterprise as at the Date of Valuation is reasonably stated as **US$143,000,000 (UNITED STATES DOLLARS ONE HUNDRED AND FORTY THREE MILLION ONLY).**

Yours faithfully,
For and on behalf of
ROMA APPRAISALS LIMITED

Teddy Iu	**Kelvin Luk**
FCMA FCPA DipMs MSc (IS) MSc (Acty)	*BSc (Actuarial Sci.) Pdip (Acct.) MIBA*
Director	*Director*

1. 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.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately following completion of the Acquisition will be, as follows:

As at the Latest Practicable Date

Authorised:		*HK$*
1,000,000,000,000	Shares	1,000,000,000
Issued and fully paid or credited as fully paid:		
5,513,883,716	Shares	5,513,884

Upon completion of the Acquisition

Authorised:		*HK$*
1,000,000,000,000	Shares	1,000,000,000
Issued and fully paid or credited as fully paid:		
5,513,883,716	Shares	5,513,884
600,000,000	Consideration Shares	600,000
400,000,000	Conversion Shares (upon exercise of conversion rights attached to the CN)	400,000
6,513,883,716	Shares	6,513,884

All the issued Shares rank pari passu in all respects with each other including the rights as to voting, dividends and return of capital. The Consideration Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the Shares then in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made for which the record date falls on or after the date of such allotment and issue. The Conversion Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with all the Shares then in issue as at the date of allotment and issue of the Conversion Shares.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange were as follows:

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

	Number of Shares in the Company			
Name of Director	**Beneficial Owner**	**Interests of Controlled Corporation**	**Total**	**Approximate Percentage of Shareholding** *(%)*
He Xuechu	–	4,095,000,000 *(Note)*	4,095,000,000	74.27

Note: The 4,095,000,000 Shares were held by Hong Bridge Capital Limited. Hong Bridge Capital Limited 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.

(b) Interests and short positions in shares and underlying shares of other persons

As at the Latest Practicable Date, so far as was known to the Directors and chief executives of the Company, those persons, other than the Directors or chief executives 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 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:

	Number of Shares in the Company			
Name of Director	**Direct interest**	**Interests of Controlled Corporation**	**Total number of Shares held**	**Approximate Percentage of Shareholding** *(%)*
Hong Bridge Capital Limited	4,095,000,000 *(Note)*	–	4,095,000,000	74.27
He Xuechu	–	4,095,000,000 *(Note)*	4,095,000,000	74.27
Gui Shengyue	300,000,000	–	300,000,000	5.44

Note: The 4,095,000,000 Shares were held by Hong Bridge Capital Limited. Hong Bridge Capital Limited is wholly owned by Mr. He Xuechu.

Save as disclosed above, as at the 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 Divisions 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.

4. COMPETING INTEREST

Mr. Fok Hon, an independent non-executive Director of the Company, is also the executive director of All Leaders Publication Group Limited. Since All Leaders Publication Group Limited is engaged in the media and publication business. Mr. Fok is regarded as interested in such competing business of the Group.

Save for disclosed above, as at the Latest Practicable Date, none of the Directors or any of their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. INTERESTS IN ASSETS AND/OR CONTRACTS

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 2008, 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 Group or are proposed to be acquired or disposed of or leased to any member of the 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 Company.

6. DIRECTORS' SERVICE CONTRACTS

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

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Enlarged Group within two years immediately preceding the date of this Circular which are or may be material:

(a) the share transfer agreement dated 8 April 2008, as supplemented by a supplemental agreement dated 8 April 2008, entered into between the Company as purchaser and Mr. Liu Xiangmao as vendor in relation to the acquisition of 2,000 shares of Divine Mission Holdings Limited, details of the transaction can be found in the announcement and circular of the Company dated 11 April 2008 and 2 May 2008 respectively; and

(b) the Equity Transfer Agreement.

8. 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 importance known by the Directors to be pending or threatened against any member of the Enlarged Group.

9. EXPERTS AND CONSENT

The qualifications of the experts who have given opinion in this Circular are as follows:

Name	Qualification
Grant Thornton	Certified Public Accountants, Hong Kong
Roma Appraisals Limited	Independent valuer

As at the Latest Practicable Date, each of Grant Thornton and Roma Appraisals Limited:

(a) did not have any shareholding in any member of the 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 Group;

(b) did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2008, the date to which the latest audited financial statements of the Group was made up; and

(c) has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

10. GENERAL

(a) The registered office of the Company is situated at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is situated at Suite 2703, 27th Floor, Great Eagle Centre, 23 Habour Road, Wanchai, Hong Kong.

(b) The company secretary of the Company is Mr. Lam King Ho, 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.

(c) The compliance officer of the Company is Mr. Liu Wei, William. Mr. Liu is the Chief Executive Officer of the Company and holds a master degree in business administration from the University of San Francisco.

(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 control systems of the Group. The audit committee comprises three members, including Mr. Chan Chun Wai, Mr. Fok Hon and Mr. Ma Gang, all are independent non-executive Directors. Mr. Chan

Chun Wai 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 address of the auditor, Grant Thornton is 6th Floor, Nexxus Building, 41 Connaught Road Central, Hong Kong.

(f) The registered address of the independent valuer, Roma Appraisals Limited is Room 1603, 16th Floor, Tung Chiu Commercial Centre, 193 Lockhart Road, Wanchai, Hong Kong.

(g) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Plaza, 33 Lockhart Road, Wanchai, Hong Kong.

(h) The English text of this Circular shall prevail over the Chinese text in the case of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Suite 2703, 27th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong during normal business hours from the date of this Circular up to and including 15 March 2010:

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

(b) the letter from the Board, the text of which is set out on pages 6 to 37 of this Circular;

(c) the annual reports of the Company for each of the two financial years ended 31 December 2008;

(d) the respective accountant's reports of Grant Thornton on Hill Talent and Xianglan Brazil;

(e) the letter from Grant Thornton in relation to the unaudited pro forma financial information of the enlarged group, the text of which is set out in Appendix IV to this Circular;

(f) the written consents from Grant Thornton and Roma Appraisals Limited referred to in the paragraph headed "Experts and Consent" in this Appendix VI;

(g) The share transfer agreement dated 8 April 2008, referred to in the paragraph headed "Material Contracts" in this Appendix VI;

(h) The circular issued by the Company dated 6 April 2009 in relation to the general mandate to issue and repurchase shares; and

(i) the Equity Transfer Agreement.

HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8137)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Honbridge Holdings Limited (the "**Company**") will be held at Suite 2703, 27/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Monday, 15 March 2010, at 10:30 a.m. to consider, and, if thought fit, pass the following resolutions (with or without modifications) as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the equity transfer agreement dated 7 November 2009 (the "**Equity Transfer Agreement**") (copy of which, signed by the Chairman of the meeting for the purposes of identification, has been produced to the meeting marked "A") entered into among the Company as purchaser, Brilliant People Limited ("**BPL**") as vendor and Shandong Zhi Xiang Trading Company Limited as guarantor in relation to the sale and purchase of the entire issued share capital of Hill Talent Limited at the consideration of HK$880,000,000 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the allotment and issue of 600,000,000 shares of HK$0.001 each in the share capital of the Company (the "**Consideration Share(s)**") credited as fully paid at an issue price of HK$0.80 per Consideration Share to BPL in accordance with the Equity Transfer Agreement be and is hereby approved;

(c) the issue of the zero coupon HK$400,000,000 irredeemable convertible note due in 2014 (the "**CN**") by the Company to BPL in accordance with the Equity Transfer Agreement be and is hereby approved;

(d) the allotment and issue of 400,000,000 shares of HK$0.001 each in the share capital of the Company (the "**Conversion Share(s)**") upon conversion of the CN to BPL in accordance with the Equity Transfer Agreement be and is hereby approved; and

(e) the directors of the Company be and are hereby authorised to do such acts and/or things and/or execute all such documents incidental to, ancillary to or in connection with matters contemplated in or relating to the Equity Transfer Agreement as they may in their absolute discretion consider necessary, desirable or expedient to give effect to the Equity Transfer Agreement and the implementation of all transactions contemplated thereunder and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interest of the Company."

2. "**THAT**, to the extent not already exercised, the mandate to allot and issue shares of the Company given to the directors of the Company (the "**Directors**") at the annual general meeting of the Company held on 8 May 2009 (the "**AGM**") be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution) and replaced by the mandate **THAT**:

   (a) subject to sub-paragraph (c) of this resolution below pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot and issue shares of HK$0.001 each in the share capital of the Company (the "**Shares**") and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and is hereby generally and unconditionally approved;

   (b) the approval in sub-paragraph (a) of this resolution above shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

   (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise), issued or dealt with by the Directors pursuant to the approval in sub-paragraph (a) of this resolution above, otherwise than pursuant to (i) the Rights Issue (as defined below); or (ii) the exercise of any options granted under any share option scheme or similar arrangement for the time being of the Company or (iii) any scrip dividend or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on the Shares in accordance with the articles of association of the Company in force from time to time or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:

      (i) 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and

(ii) (provided that this resolution is passed) the nominal amount of any share capital of the Company repurchased by the Company pursuant to the general mandate to repurchase Shares granted to the Directors at the annual general meeting of the Company held on 14 March 2008 (up to a maximum equivalent of 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of such resolution),

and the authority pursuant to sub-paragraph (a) of this resolution above shall be limited accordingly; and

(d) for the purposes of this resolution:

"**Relevant Period**" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of the Cayman Islands to be held; and

(iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

"**Rights Issue**" means an offer of Shares or an offer or issue of warrants or options or similar instruments to subscribe for Shares open for a period fixed by the Directors to holders of the Shares or any class thereof on the register on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognized regulatory body or any stock exchange outside Hong Kong)."

3. "**THAT**, subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in such number of Shares, representing 10% of the Shares in issue as at the date of passing of this resolution, which may be issued pursuant to the exercise of options to be granted under the New Scheme Mandate Limit (as defined below), the existing scheme mandate limit under the share option

scheme adopted on 20 December 2001 (the "**Share Option Scheme**") be refreshed so that the number of Shares to be allotted and issued pursuant to the exercise of options under the Share Option Scheme and other share option scheme(s) of the Company (excluding options previously granted, outstanding, cancelled, lapsed or exercised) shall not exceed 10% of the Shares in issue as at the date of the passing of this resolution (the "**New Scheme Mandate Limit**") and that any Director be and is hereby authorized to do such act and execute such document to effect the New Scheme Mandate Limit."

On behalf of the Board
Honbridge Holdings Limited
LUI Wei, William
Director and Chief Executive Officer

Hong Kong, 24 February 2010

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

Principal place of business in Hong Kong:
Suite 2703
27th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Rooms 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the meeting or any adjourned meeting thereof should he so wishes.

3. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint shareholdings.

4. As at the date of this notice, member of the board of directors of the Company consists of three executive directors, Mr. He Xuechu, Mr. Liu Wei, William and Mr. Shi Li Xin and three independent non-executive directors, Mr. Chan Chun Wai, Tony, Mr. Fok Hon and Mr. Ma Gang.