HONBRIDGE HOLDINGS LIMITED

(incorporated in the Cayman islands with limited liability)

(stock code: 8137)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

GROUP RESULTS

The board of directors (the "Board") of Honbridge Holdings Limited (the "Company") announced the annual consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010 together with the comparative audited figures for last financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	4	**73,531**	32,592
Direct operating expenses		**(62,469)**	(20,567)
Other operating income		**4,322**	342
Selling and distribution costs		**(7,392)**	(5,904)
Administrative expenses		**(30,141)**	(17,270)
Other operating expenses	5	**(45,084)**	(3,309)
Share-based payment expenses		**(349,883)**	–
Impairment of goodwill		**–**	(35,686)
Operating loss		**(417,116)**	(49,802)
Finance costs		**(32,397)**	(3,918)
Loss before income tax	5	**(449,513)**	(53,720)
Income tax expense	7	**–**	–
Loss for the year		**(449,513)**	(53,720)
Other comprehensive income, including reclassification adjustments			
Exchange gain/(loss) on translation of financial statements of foreign operations		**101,570**	(4)
Other comprehensive income for the year, net of tax		**101,570**	(4)
Total comprehensive income for the year		**(347,943)**	(53,724)
Loss for the year attributable to :			
Owners of the Company		**(445,650)**	(50,136)
Non-controlling interests		**(3,863)**	(3,584)
		(449,513)	(53,720)
Total comprehensive income attributable to :			
Owners of the Company		**(378,586)**	(50,138)
Non-controlling interests		**30,643**	(3,586)
		(347,943)	(53,724)
Loss per share for loss attributable to the owners of the Company during the year	9		
– Basic		**HK(7.45) cent**	HK(1.21) cent
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**36,577**	33,094
Exploration and evaluation assets		**2,114,385**	–
Prepaid land lease payments		**21,136**	20,840
Goodwill		**34,910**	–
Deposits for acquisition of business		**78,000**	–
Advances to an acquiring business		**141,503**	–
Deposits for acquisition of property, plant and equipment		**–**	407
		2,426,511	54,341
Current assets			
Inventories		**8,686**	6,024
Trade and bill receivables	*10*	**8,074**	7,129
Prepayments and other receivables		**11,599**	10,470
Derivative financial assets		**44,354**	–
Cash and cash equivalents		**30,046**	16,240
		102,759	39,863
Current liabilities			
Trade payables	*11*	**8,206**	8,545
Other payables, accrued expenses and receipts in advance		**28,309**	21,906
Borrowings		**11,148**	14,375
		47,663	44,826
Net current assets/(liabilities)		**55,096**	(4,963)
Total assets less current liabilities		**2,481,607**	49,378
Non-current liabilities			
Borrowings		**266**	597
Loans from ultimate holding company		**283,851**	49,026
Loan from a minority equity holder of a subsidiary		**6,229**	5,933
Convertible bonds		**189,333**	–
Deferred tax liabilities		**719,584**	693
		1,199,263	56,249
Net assets/(liabilities)		**1,282,344**	(6,871)
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**6,126**	5,513
Reserves		**780,630**	(28,854)
		786,756	(23,341)
Non-controlling interests		**495,588**	16,470
Total equity		**1,282,344**	(6,871)

NOTES:

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 production and sale of highly purified silicon, publication of magazines and exploration of mineral resources. The Company and its subsidiaries are collectively referred to as the "Group" hereinafter. The directors of the Company (the "Directors") consider the ultimate holding company to be Hong Bridge Capital Limited ("Hong Bridge"), a company incorporated in the British Virgin Islands with limited liability. Other than the acquisition of the subsidiary, namely Hill Talent Limited, there were no changes in the Group's operations during the year.

The consolidated financial statements of the Group 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 ("Int") 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 are presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000"), except when otherwise indicated.

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group have applied for the first time the following new standards, amendments and interpretations (the "New HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2010 :

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentations of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

Other than as noted below, the adoption of the New HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

2. ADOPTION OF NEW OR AMENDED HKFRSs *(CONTINUED)*

HKFRS 3 (Revised) – Business Combinations and HKAS 27 (Revised) – Consolidated and Separate Financial Statements

The revised accounting policies are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The revised standard applied prospectively according to the transitional provisions and there is no impact on the business combinations in prior years. The Group has accounted for the acquisition of Hill Talent Limited in current year according to the revised standard. However, the impact of the revised standard on the Group's financial statements in relation to the acquisition of Hill Tarent Limited is not material.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year because the new polices are applied prospectively according to the transitional provisions in the revised standard and the Group did not have such transactions in 2010.

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

At the date of approval of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group for the year ended 31 December 2010.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 [2&3]
Amendments to HKAS 32	Classification of Rights Issues [1]
Amendments to HK(IFRIC) –Interpretation 14	Prepayments of a Minimum Funding Requirement [3]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments [2]
HKAS 24 (Revised)	Related Party Disclosures [3]
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets [4]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets [5]
HKFRS 9	Financial Instruments [6]

Notes :

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

2. ADOPTION OF NEW OR AMENDED HKFRSs *(CONTINUED)*

HKFRS 9 Financial instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of these new or amended HKFRSs that have been issued but are not yet effective and the Directors so far concluded that the application of these or amended HKFRSs will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

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

The financial statements have been prepared under historical cost convention except for certain financial instruments which are measured at fair values as explained in the accounting policies set out 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.

4. 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 :

	2010	2009
	HK$'000	*HK$'000*
Sale of silicon products	**49,785**	10,079
Sale of magazines	**2,724**	2,673
Advertising income	**8,809**	9,279
Promotion and marketing income	**12,213**	10,561
	73,531	32,592

5. LOSS BEFORE INCOME TAX

	2010	2009
	HK$'000	*HK$'000*
Operating loss is arrived at after charging :		
Auditors' remuneration	**800**	480
Cost of inventories recognised as expense	**50,393**	7,631
Share based payment expeenses	**349,883**	–
Depreciation	**1,461**	2,730
Amortisation of prepaid land lease payments	**454**	445
Minimum lease payments paid under operating leases in respect of rental premises	**329**	329
Net foreign exchange loss	**29**	–
– Impairment and write-off of receivables	**199**	198
– Fair value loss on initial recognition of advances to an acquiring business	**13,115**	–
– Research and development costs	**940**	3,111
– Transaction costs of business combination	**1,911**	–
– Fair value loss on derivative financial assets	**28,879**	–
– Others	**40**	–
Other operating expenses	**45,084**	3,309

6. SEGMENT INFORMATION

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

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

The Company is an investment holding company and the principal place of the Group's operation are in Hong Kong, Mainland China and Brazil. For the purpose of segment information disclosures under HKFRS 8, the Group regarded service in Hong Kong, and Mainland China (i.e. the PRC) as its country of domicile.

6. SEGMENT INFORMATION *(CONTINUED)*

Information regarding the Group's reportable segments provided to the Group's most senior management (i.e. the executive directors) is set out below :

	Mineral resources exploration *HK$'000*	Silicon products *HK$'000*	Publications *HK$'000*	Total *HK$'000*
Year ended 31 December 2010				
Reportable segment revenue (external customers)	**–**	**49,785**	**23,746**	**73,531**
Reportable segment loss	**(3,970)**	**(6,322)**	**(1,640)**	**(11,932)**
Reportable segment assets	**2,166,563**	**80,111**	**6,921**	**2,253,595**
Reportable segment liabilities	**545**	**42,678**	**9,248**	**52,471**
Capital expenditure	**–**	**3,419**	**4**	**3,423**
Interest income	**–**	**(21)**	**–**	**(21)**
Interest expense	**–**	**973**	**–**	**973**
Depreciation	**48**	**1,103**	**90**	**1,241**
Amortisation charge	**–**	**454**	**–**	**454**
Impairment and written off of receivables	**–**	**–**	**199**	**199**
Year ended 31 December 2009				
Reportable segment revenue (external customers)	–	10,079	22,513	32,592
Reportable segment loss	–	(44,648)	(1,021)	(45,669)
Reportable segment assets	–	84,277	7,601	91,878
Reportable segment liabilities	–	42,901	8,291	51,192
Capital expenditure	–	5,549	22	5,571
Interest income	–	(125)	–	(125)
Interest expense	–	1,070	–	1,070
Depreciation	–	2,422	88	2,510
Amortisation charge	–	445	–	445
Impairment of goodwill	–	35,686	–	35,686
Impairment and written off of receivables	–	–	198	198
Reversal of impairment of inventories	–	(810)	–	(810)

6. SEGMENT INFORMATION *(CONTINUED)*

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

	2010	2009
	HK$'000	*HK$'000*
Reportable segment loss	**(11,932)**	(45,669)
Other operating income	**4,051**	100
Administrative expenses	**(16,420)**	(5,303)
Other operating expenses	**(43,905)**	–
Share-based payment expenses	**(349,883)**	–
Finance costs	**(31,424)**	(2,848)
	(449,513)	(53,720)
Reportable segment assets	**2,253,595**	91,878
Property, plant and equipment	**408**	623
Deposit for acquisition of a business	**78,000**	–
Advances to an acquiring business	**141,503**	–
Prepayments and other receivables	**1,529**	596
Derivative financial assets	**44,354**	–
Cash and cash equivalents	**9,881**	1,107
	2,529,270	94,204
Reportable segment liabilities	**52,471**	51,192
Other payables, accrued expenses and receipts in advance	**1,687**	857
Convertible bonds	**189,333**	–
Loans from ultimate holding company	**283,851**	49,026
Deferred tax liabilities	**719,584**	–
	1,246,926	101,075

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

	2010	2009
	HK$'000	*HK$'000*
Revenues from external customers		
Hong Kong	**23,746**	22,513
Mainland China	**49,785**	10,079
Reportable segment revenue from external customers	**73,531**	32,592
Non-current assets		
Hong Kong	**172**	2,962
Mainland China	**56,885**	50,756
Brazil	**2,149,543**	–
Reportable segment non-current assets	**2,206,600**	53,718

6. SEGMENT INFORMATION *(CONTINUED)*

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets (other than goodwill) is based on the physical location of the asset. The goodwill is allocated to the cash generating unit of mineral resources exploration located in Brazil as at 31 December 2010.

7. INCOME TAX EXPENSE

During the year ended 31 December 2010 and 31 December 2009, no provision for Hong Kong profits tax has been provided by the Group as the Group had no estimated assessable profit arising in or derived from Hong Kong.

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

With the effect of the PRC enterprise income tax on 1 January 2008, enterprise income tax rates for domestic and foreign enterprises were unified at 25%. Upon expiry of the tax holiday and tax relief, the new PRC corporate income tax rate of 25% is applicable to 濟寧凱倫光伏材料有限公司 ("Kailun PV (Jining)"), being a subsidiary of the Group established as wholly foreign-owned enterprise in the PRC.

During the year ended 31 December 2010, the corporate income tax rate in Brazil of 34% is applicable to Xianglan Do Brasil Mineracao Ltda ("Xianglan Brazil"), which is one of the subsidiaries being acquired by the Group during the year.

No provision for tax has been provided by the Company as the Company had no estimated assessable profit arising in or derived from Hong Kong (2009: Nil).

8. DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: Nil).

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$445,650,000 (2009: HK$50,136,000) and on the weighted average of approximately 5,981,678,000 (2009: 4,149,487,000) ordinary shares in issue and issuable during the year.

(b) Dilutive loss per share

For the year ended 31 December 2010 and 2009, diluted loss per share was not presented because the impact of the exercise of the share options and convertible bonds was anti-dilutive.

10. TRADE AND BILL RECEIVABLES

GROUP

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**8,826**	5,516
Less : Impairment of trade receivables	**(752)**	(553)
Trade receivables, net	**8,074**	4,963
Bill receivables	**–**	2,166
Trade and bill receivables, net	**8,074**	7,129

Impairment losses in respect of trade and bill 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. Movement in the provision for impairment of trade receivables is as follows :

	2010	2009
	HK$'000	*HK$'000*
At 1 January	**553**	355
Impairment loss and allowances charged to profit or loss	**199**	198
At 31 December	**752**	553

As at 31 December 2010 and 2009, the Group's trade and bill 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 aging analysis of net trade and bill receivables at the reporting date :

	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**5,550**	3,883
31 – 60 days	**1,087**	1,733
61 – 90 days	**305**	1,235
91 to 180 days	**616**	198
Over 180 days	**516**	80
	8,074	7,129

11. TRADE PAYABLES

GROUP

The credit terms of trade payables vary according to the terms agreed with different suppliers. The following is aging analysis of trade payables at the reporting date :

	2010	2009
	HK$'000	*HK$'000*
0 - 30 days	**2,938**	1,247
31 - 60 days	**743**	683
61 - 90 days	**605**	512
91 - 180 days	**762**	1,767
Over 180 days	**3,158**	4,336
	8,206	8,545

12. MOVEMENT OF EQUITY

	2010	2009
	HK$'000	*HK$'000*
At beginning of the year	**(6,871)**	30,812
Loss for the year	**(449,513)**	(53,720)
Currency translation	**101,570**	(4)
Total comprehensive income	**(347,943)**	(53,724)
Arising from acquisition of subsidiaries	**448,465**	–
Arising from loan from ultimate holding company	**26,336**	415
Arising from loan from a minority equity holder of a subsidiary	**–**	926
Conversion of convertible bonds	**–**	14,700
Issue of shares	**482,200**	–
Shares issued under share option scheme	**1,440**	–
Equity-settled share-based transactions	**315,403**	–
Issue of convertible bonds	**365,304**	–
Capital contribution from non-controlling interest	**10**	–
At end of the year	**1,282,344**	(6,871)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2010, the Group recorded turnover of HK$73.5 million which comprised HK$49.8 million from the sale of highly purified silicon and HK$23.7 million from the publication of magazines. Loss for the year was HK$449.5 million which is HK$395.8 million higher than that for the last year. The increase was mainly due to the increase in amortisation of share options cost of HK$349.9 million, fair value loss on of HK$28.9 million, deemed convertible notes interest of HK$24.1 million, fair value loss on loan to SAM of HK$13.1 million and deemed loan interest expense of HK$7.4 million that have no impact to the Group's cashflows.

The silicon market has been gradually recovered from the 2008 financial crisis. Silicon metal prices in China have been increased by approximately 30% compared to a year ago. Benefited from the market rebound, our silicon business achieved a record high turnover of HK$49.8 million during the year, representing approximately 4.9 times the turnover of the same period in 2009. Segment loss for the year was decreased by 86% to HK$6.3 million, which was because there was an impairment of goodwill of HK$35.7 million in 2009. Despite the research of solar grade silicon has achieved relatively significant progress that the testing samples have reached conversion rate of 16% as verified by China Academy of Sciences Photovoltaic and Wind Power Systems Quality Test Center, the products are still unstable and therefore cannot be put into commercial production.

Our publication business accounted for a turnover of HK$23.7 million, representing a 5% increase compared to 2009. Segment loss increased from HK$1.0 million in 2009 to HK$1.7 million in 2010 which was mainly due to the increase in general and administrative expenses of HK$1.6 million.

On 24 March 2010, the Group has completed the acquisition of 66% equity interest in Xianglan Do Brazil Mineracao Ltda. ("Xianglan Brazil"). As Xianglan Brazil is engaged in the business of mineral resources exploration, Xianglan Brazil did not contribute revenue to the Group. Segment loss of HK$4.0 million represented administrative expenses of Xianglan Brazil in the reporting period.

Considering that the limitation of financial resources in Xianglan Brazil and that the mining of manganese would take consideration amount of time, the Directors decided to leverage the limited financial resources of Xianglan Brazil and their connection in South America to develop the mineral products trading business that could bring cashflows and returns to the Group in the near future. Xianglan Brazil has set up subsidiaries in Mexico and Uruguay. The Group has also cooperated with Mexican enterprises to build an iron ore storage centre near Manzanillo port to acquire high grade iron ores from surrounding iron mines, which will be further cracked and processed. After testing and grading, the products will be shipped to the iron & steel enterprises or iron ores trading companies in China. The first batch iron ores has been packed and loaded for shipment in Mexico on 7 March 2011 and the first batch manganese ores have been departed from Brazil to Tianjin, China on 19 February 2011.

The Group under the existing management has been continuously looking for appropriate investment opportunities in the energy and resources sector. To implement such strategy, on 5 March 2010, the Group has entered into a share purchase agreement to acquire the entire issued share capital of an iron exploration company, Sul Americana de Metais S.A. ("SAM") which holds 83 iron exploration licenses in Minas Gerais and Bahia, Brazil. The directors of the Company consider that the acquisition of the entire interest of SAM has milestone significance to the Group's investments in the mining sector.

Subsequent to the signing of the acquisition agreement of SAM, on 26 March 2010, the Company has entered into a strategic cooperation agreement with Xinwen Mining Group Co., Ltd. in relation to the provision of technical support and financial resources to and the investment in the Company. On the same date, the Company and Shandong Iron and Steel Group Co., Ltd. entered into a cooperation memorandum of understanding in relation to the SAM Project.

On 16 June 2010 and 18 June 2010, SAM has entered into memorandum of understanding (MOU) respectively with Minas Gerais and Bahia state governments in the Federative Republic of Brazil ("Brazil") in relation to business cooperation. Under the MOU, the two state governments agreed to provide support and assistance to SAM during its implementation and operation, particularly with regard to the financing and licensing of the iron mining project.

The Group has also set up a wholly owned subsidiary in Shanghai, Shanghai Hongying Trading Co. Ltd., for the development of the domestic and international iron and steel products trading business.

On 21 October 2010, Shanghai Hongying Trading has appointed an non-exclusive distributor of steel products in China with estimated connection transaction amounts of not exceeding RMB300 million, RMB2,000 million and RMB2,100 million for each of the financial years ending 31 December 2010, 2011 and 2012 respectively. Due to the fact that Shanghai Hongying Trading has not completed the tax registration on time during 2010, Shanghai Hongying Trading has not yet recorded sales revenue.

The directors of the Company expect that the above acquisitions will enlarge the business scope of the Company and the development and mining activities will be the Group's principal business in the near future.

PROSPECTS

The Company has disposed of the business associated with magazine publishing and advertising activities in the first quarter of 2011. The disposal will enable the Group to focus on the resources and energy sector with better growth potential, and enables the Group to have a clearer business strategy.

The Company's subsidiary Kailun Photovoltaic situated in Shandong, China has been granted High New Technology Enterprise Certificate on 26 September 2010. The Company will continue its research and development on the stability of the solar grade products.

Regarding to the minerals and iron & steel products trading business, the Group has appointed a non-exclusive distributor in China through its wholly owned subsidiary established in Shanghai, Hongying Trading, to develop the iron & steel trading business in China and other overseas markets. Xianglan Do Brazil has already set up subsidiaries in Mexico and in Uruguay and has already cooperated with Mexican enterprises to build an iron ore storage centre near Manzanillo port, in order to acquire high grade iron ores from surrounding mines, which will be further cracked and processed. After testing and grading, the products will be shipped to the iron & steel enterprises or iron ores trading companies. The first batch iron ores has been packed and loaded for shipment in Mexico on 7 March 2011 and the first batch manganese ores have been departed from Brazil to Tianjin, China on 19 February 2011. When the storage centre reaches optimal operation, its processing capacity can reach approximately two million tonnes per annum. The Group has also been seeking for small scale iron mines leasing or mining sub-contract opportunities for the storage centre.

Pushing forward the SAM Iron Ore Project is the core task of the Group in 2011. The Company hopes that the major tasks for the phase one development plan of the SAM Iron Ore can be completed during the year, which includes the completion of the acquisition, the progression in obtaining various approvals from the Brazil government, completion of the construction design and the completion of the construction bidding.

The Directors expect that the minerals and iron & steel trading business will bring considerable amount of cashflow and return to the Company.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2010, the Group's operation was mainly financed by the internal financial resources and the substantial shareholder of the Group.

As at 31 December 2010, the Group had net current assets of HK$55.1 million (31 December 2009: net current liabilities of HK$5.0 million). Current assets comprised inventories of HK$8.7 million, cash and cash equivalents of HK$30.0 million, trade and bill receivables of HK$8.1 million, prepayments and other receivables of HK$11.6 million, and derivative financial assets of HK$44.3 million. Current liabilities comprised trade payables of HK$8.2 million, other payables, accrued expenses and receipts in advance of HK$28.3 million and borrowings of HK$11.1 million.

As at 31 December 2010, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 0.2 (31 December 2009: not available as the Group has negative equity).

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.

MAJOR ACQUISITIONS

On 5 March 2010, the Company entered into a legally binding definitive agreement with Votorantim Novos Negocios Ltda. ("VNN") and its subsidiaries in which the Group will acquire 100% interest of Sul Americana de Metais S.A. ("SAM") for USD390 million.

The consideration of USD390 million will be settled by five installments upon the completion of: shareholders' approval of the Group; receipt of resources confirmation to the agreed level of and achievement of beneficiation standard and the cost of production to an agreed level; receipt of relevant permits necessary for the mining operation; commencement of port operation and commencement of mining operation. The five installments will be divided into USD10 million, USD65 million, USD115 million, USD100 million and USD100 million.

During the period from the current stage of the mine to the commencement of operation, VNN will provide necessary assistance to SAM. If the resources confirmation or the relevant government permits are obtained before schedule; or if the FOB cost is under BRL44 per tonne (adjustable for inflation), then VNN will receive rewards of not more than USD2 million; USD3 million or USD10 million respectively. If the resources confirmation or the relevant government permits are delayed, the consideration will be deducted by a maximum of USD3.75 million. Accordingly, the maximum amount of consideration to be paid by the Group for the SAM acquisition will be USD405 million and the minimum consideration will be USD386.25 million. Apart from that, the Group will provide a loan of USD35 million in total to SAM in one year from the signing of the agreement for the resource confirmation and beneficiation tests.

SAM is a limited company incorporated in the Federative Republic of Brazil ("Brazil") holding approximately 83 exploration licenses that are mainly iron ores.

The exploration areas are located along Minas Gerais and Bahia in Brazil, covering an area of approximately 1,155 square kilometres. These mines are divided into nine blocks, namely Block 5, 6, 7, 8, 9, 10, 11, 12 and 13. The intensive drilling program of the SAM Iron Ore Project on Block 8 has already been completed on 21 January 2011. A total of 459 drilling holes totalling 65,410 metres have been completed on Block 8. According to a JORC compliant report prepared by Coffey Mining and Golder Associates on Block 7 and Block 8 respectively, both are well-known global mining consultants, the measured resources was 340 million tonnes, indicated resources was 1,740 million tonnes and inferred resources was 1,440 million tonnes, totalling 3,520 million tonnes of ROM (run of mine), average grade at approximately 20% and prospective resources may reach above 6,000 million tonnes of ROM.

According to the loan agreement entered into between the Company and SAM, the Company has remitted USD22.07 million to SAM, for the purposes of resource confirmation and beneficiation tests. SAM plans to construct a processing plant and related infrastructure facilities carrying capacity of 25 million tonnes of 65% iron pellet feed per year.

As at the date of this report, the acquisition of SAM has not been completed. For details of the acquisition, please refer to the circular of the Company dated 5 November 2010.

SIGNIFICANT INVESTMENT PLANS

Save as disclosed above, as at 31 December 2010, the Group did not have any significant investment plans.

CAPITAL COMMITMENTS

	2010	2009
	HK$'000	*HK$'000*
Contracted but not provided for		
Property, plant and equipment	**1,779**	2,004
Proposed acquisition of business*	**2,964,000**	–
	2,965,779	2,004

* In connection with the SAM Acquisition and pursuant to its share purchase agreement (the "SPA"), the Company has to pay the total purchase consideration in five stages (the "Total Consideration"). A total of US$75 million (being US$10 million (stage 1) plus US$65 million (stage 2)) is payable to the sellers on the date of completion of the SAM Acquisition. The consideration paid at stage 3 depends on the date when the approvals and permits in relation to the commencement of construction of the mine, plant, pipeline and the relevant specified port facilities as detailed in the SPA are obtained. According to the SPA, the minimum consideration for stage 3 will be US$111.25 million and the contingent consideration will be US$3.75 million. Pursuant to the SPA, the principal amounts of the contingent consideration paid at stage 4 and 5 are US$100 million and US$100 million respectively, depending on the relevant specified port operation commencement date and the mining production commencement date. At 31 December 2010, the Group and the Company had already paid US$10 million (equivalent to approximately HK$78,000,000) for stage 1 and the aggregate principal amount of outstanding considerations for stage 2 to 5 of US$380 million (equivalent to approximately HK$2,964 million) are disclosed as the capital commitment. Further details of the SPA and the Total Consideration are disclosed in the Company's circular dated 5 November 2010.

CONTINGENT LIABILITIES

As at 31 December 2010, the Group did not have any significant contingent liabilities.

EMPLOYEES

As at 31 December 2010, the total number of employees of the Group was 194 (2009: 172). Employees' cost (including directors' emoluments) amounted to HK$64.1 million for the year (2009: HK$11.8 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 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with the Code on Corporate Governance Practices (the "CG Code") of the GEM Listing Rules throughout the year ended 31 December 2010 with the exception that the Articles of Association of the Company does not provide that (a) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting of the Company after their appointment. In view of good corporate governance practices, all Directors have agreed to comply with the GEM Listing Rules and that their term of appointment will be limited accordingly. Furthermore, every director of the Company, including those appointed for a specific term, voluntarily retires from his office by rotation at least once every three years notwithstanding that he is not required to do so by the Articles of Association of the Company. Amendments to the Articles of Association of the Company have been proposed at the forthcoming Annual General Meeting in order to bring the Articles of Association of the Company in line with the changes brought about by the amendments to GEM Listing Rules as well as the provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the year ended 31 December 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2010, neither the Company, its ultimate holding company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

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

During the year, the audit committee held four meetings to review and comment on the Company's 2009 annual report, 2010 half-yearly report and quarterly reports as well as the Company's internal control procedures.

The Group's annual results for the year ended 31 December 2010 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our shareholders, customers and cooperative partners for their continued support during 2010 and all staff for their hard work.

As at the date of this announcement, the Board comprises:

Executive Directors:
Mr. HE Xuechu *(Chairman)*
Mr. LIU Wei, William *(Chief Executive Officer)*
Mr. SHI Lixin

Non-Executive Directors:
Mr. YAN Weimin
Mr. ANG Siu Lun Lawrence

Independent Non-Executive Directors:
Mr. CHAN Chun Wai, Tony
Mr. FOK Hon
Mr. MA Gang

On behalf of the Board
LIU Wei, William
Executive Director and CEO

Hong Kong, 28 March 2011