



HONBRIDGE HOLDINGS LIMITED

洪橋集團有限公司

(Stock Code : 8137)

Half Year Report 2009





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

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

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

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

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

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

Unaudited Consolidated Half Year Results

The board of directors (the "Board") of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2009, together with the comparative unaudited figures for the corresponding period in 2008, as follows:

Consolidated Income Statement – Unaudited

	Notes	Three months ended 30 June		Six months ended 30 June	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue	2	7,339	13,395	12,262	17,655
Cost of sales		(5,253)	(9,541)	(8,989)	(13,231)
Gross profit		2,086	3,854	3,273	4,424
Other operating income		33	121	53	121
Selling and distribution costs		(1,497)	(2,169)	(2,996)	(4,371)
Administrative expenses		(2,579)	(3,459)	(5,428)	(7,681)
Other operating expenses		(381)	–	(594)	–
Operating loss		(2,338)	(1,653)	(5,692)	(7,507)
Finance costs		(1,260)	(302)	(1,715)	(505)
Loss before income tax	3	(3,598)	(1,955)	(7,407)	(8,012)
Income tax expense	5	–	–	–	–
Loss for the period		(3,598)	(1,955)	(7,407)	(8,012)
Attributable to:					
Equity holders of the Company		(2,983)	(1,978)	(6,390)	(8,035)
Minority interests		(615)	23	(1,017)	23
		(3,598)	(1,955)	(7,407)	(8,012)
Basic loss per share for loss attributable to the equity holders of the Company during the period	7	HK(0.09) cent	HK(0.06) cent	HK(0.19) cent	HK(0.24) cent

Condensed Consolidated Balance Sheet

	Notes	As at 30 June 2009 HK\$'000 (Unaudited)	As at 31 December 2008 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		34,246	27,178
Prepaid land lease payments		21,098	21,285
Goodwill	8	35,686	35,686
Deposits	9	–	3,460
		91,030	87,609
Current assets			
Inventories		12,958	14,069
Trade and bills receivables		4,530	6,152
Prepayments and other receivables		13,736	9,100
Cash and cash equivalents		7,870	20,776
		39,094	50,097
Current liabilities			
Trade payables		9,651	7,510
Other payables, accrued expenses and receipts in advance		19,741	22,349
Borrowings	10	17,102	18,112
Convertible bonds		14,437	14,001
		60,931	61,972
Net current liabilities		(21,837)	(11,875)
Total assets less current liabilities		69,193	75,734
Non-current liabilities			
Borrowings	10	–	937
Loans from ultimate holding company	11	45,077	43,292
Deferred tax liabilities		693	693
		45,770	44,922
Net assets		23,423	30,812
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		3,413	3,413
Reserves		1,334	7,713
		4,747	11,126
Minority interest		18,676	19,686
Total equity		23,423	30,812

Condensed Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 30 June 2009

	Equity attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Employee compensation reserve HK\$'000	Translation reserve HK\$'000	Convertible bonds		Minority interest HK\$'000	Total equity HK\$'000
							equity reserve HK\$'000	Accumulated losses HK\$'000		
2009										
At 1 January 2009	3,413	30,211	(327)	4,877	3,537	74	1,700	(32,359)	19,686	30,812
Loss for the period	-	-	-	-	-	-	-	(6,390)	(1,017)	(7,407)
Currency translation	-	-	-	-	-	11	-	-	7	18
At 30 June 2009	3,413	30,211	(327)	4,877	3,537	85	1,700	(38,749)	18,676	23,423
2008										
At 1 January 2008	3,413	30,211	(327)	-	831	-	1,700	(16,630)	-	19,198
Loss for the period	-	-	-	-	-	-	-	(8,035)	23	(8,012)
Employee share-based compensation	-	-	-	-	2,624	-	-	-	-	2,624
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	23,101	23,101
At 30 June 2008	3,413	30,211	(327)	-	3,455	-	1,700	(24,665)	23,124	36,911

Condensed Consolidated Cash Flow Statement – Unaudited

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Net cash used in operating activities	(8,144)	(38,995)
Net cash used in investing activities	(5,047)	(14,711)
Net cash generated from financing activities	274	47,464
Net decrease in cash and cash equivalents	(12,917)	(6,242)
Cash and cash equivalents, at beginning of period	20,776	33,752
Effect of foreign exchange rate changes	11	–
Cash and cash equivalents, at end of period	7,870	27,510
Analysis of the balance of cash and cash equivalents		
Cash at banks and in hand	7,870	27,510

Notes:

1. Basis of Presentation

The unaudited consolidated financial statements for the three months and six months ended 30 June 2009 have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

These financial statements should be read, where relevant, in conjunction with the 2008 annual report.

The accounting policies and methods of computation used in the preparation of these financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2008.

2. Revenue

Revenue, which is also the Group's turnover, represents the income generated from the sale of highly purified silicon and the publication of magazines.

3. Loss Before Income Tax

During the three months and six months ended 30 June 2009, loss before income tax is arrived at after charging depreciation of approximately HK\$799,000 and HK\$1,439,000 respectively (three months and six months ended 30 June 2008: HK\$217,000 and HK\$241,000 respectively) in respect of the Group's property, plant and equipment.

4. Segment Information

(a) Primary reporting format – business segments

Six months ended 30 June 2009

	Silicon products HK\$'000	Publications HK\$'000	Total HK\$'000
Segment revenue	1,798	10,464	12,262
Segment results	(2,123)	(1,247)	(3,370)
Unallocated expenses			(2,322)
Finance costs			(1,715)
Loss before income tax			(7,407)
Income tax expense			–
Loss for the period			(7,407)
Segment assets	118,662	7,439	126,101
Unallocated assets			4,023
Total assets			130,124
Segment liabilities	(21,255)	(8,351)	(29,606)
Unallocated liabilities			(77,095)
Total liabilities			(106,701)
Capital expenditure	8,959	–	
Depreciation	1,411	28	
Amortisation charge	187	–	

4. Segment Information (Continued)

(a) Primary reporting format – business segments (Continued)

Six months ended 30 June 2008

	Silicon products HK\$'000	Publications HK\$'000	Total HK\$'000
Segment revenue	5,865	11,790	17,655
Segment results	58	(2,592)	(2,534)
Unallocated income			109
Unallocated expenses			(5,082)
Finance costs			(505)
Loss before income tax			(8,012)
Income tax expense			–
Loss for the period			(8,012)
Segment assets	104,661	6,819	111,480
Unallocated assets			39,871
Total assets			151,351
Segment liabilities	(20,070)	(9,116)	(29,186)
Unallocated liabilities			(85,254)
Total liabilities			(114,440)
Capital expenditure	2,240	–	
Depreciation	200	41	
Amortisation charge	101	–	

4. Segment Information (Continued)

(b) Secondary report format – geographical segments

An analysis of the Group's revenue by geographical location* is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Mainland China	1,143	5,865	1,798	5,865
Hong Kong	6,196	7,530	10,464	11,790
	7,339	13,395	12,262	17,655

* Revenue by geographical location is determined on the basis of the destination of the customers.

An analysis of the Group's segment assets by geographical location is as follows:

	As at 30 June 2009 HK\$'000 (Unaudited)	As at 31 December 2008 HK\$'000 (Unaudited)
	Mainland China	116,578
Hong Kong	20,377	10,847
	136,955	137,706

5. Income Tax Expense

No Hong Kong profits tax was provided as the Group had no estimated assessable profit arising in or derived from Hong Kong during the three months and six months ended 30 June 2009 (three months and six months ended 30 June 2008: Nil). No PRC enterprise income tax was provided as the Group has accumulated tax losses brought forward.

6. Dividend

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

7. Loss per Share

The calculation of basic loss per share for the three months and six months ended 30 June 2009 are based on the loss attributable to the equity holders of the Company of HK\$2,983,000 and HK\$6,390,000 respectively (three months and six months ended 30 June 2008: HK\$1,978,000 and HK\$8,035,000 respectively) and on 3,412,719,716 shares in issue (three months and six months ended 30 June 2008: 3,412,719,716 shares in issue).

No diluted loss per share for the three months and six months ended 30 June 2009 have been presented because the outstanding share options had an anti-dilutive effect.

8. Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the acquiree, as at the date of acquisition. Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested annually for impairment. Impairment losses on goodwill are not reversed.

9. Deposits

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

10. Borrowings

Borrowings are unsecured, repayable within three years starting from January 2007 and bear floating interest rate which is based on the monthly interest rate of The People's Bank of China.

11. Loans from Ultimate Holding Company

Loans from ultimate holding company HK\$45,000,000, HK\$2,000,000 and HK\$1,000,000, are unsecured, repayable on 19 May 2011, 23 November 2011 and 19 April 2012 respectively, and bear floating interest rate of Prime minus 1.25% starting from 20 May 2010, 24 November 2010 and 20 April 2011 respectively.

Management Discussion and Analysis

Business Review and Strategy

For the first half of 2008, the Group recorded turnover of HK\$12.3 million which comprised HK\$1.8 million from the sale of highly purified silicon and HK\$10.5 million from the publication of magazines. Loss for the period was HK\$7.4 million which is HK\$0.6 million less than that of HK\$8.0 million for the same period last year.

Commercial production of 4–5N silicon (silicon material with 99.99%–99.999% purity) was behind the original schedule due to the deteriorated economic conditions. However, during the period the Group has made certain progress in achieving the technology standard to produce 5–6N silicon (silicon material with 99.999%–99.9999% purity) which is used as the principal raw materials in the solar industry.

Liquidity and Financial Resources

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

As at 30 June 2009, the Group had net current liabilities of HK\$21.8 million (31 December 2008: HK\$11.9 million). Current assets comprised inventories of HK\$13.0 million, bank balances and cash of HK\$7.9 million, trade and bills receivables of HK\$4.5 million and prepayments and other receivables of HK\$13.7 million. Current liabilities comprised trade payables of HK\$9.7 million, other payables, accrued expenses and receipts in advance of HK\$19.7 million, borrowings of HK\$17.1 million and convertible bonds of HK\$14.4 million.

As at 30 June 2009, the gearing ratio of the Group which is measured by total borrowings to total equity was 2.7 (31 December 2008: 2.0).

The Board is of 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

Given that the governments of certain countries, especially China, have launched their policies on the development and utilisation of renewable energy, the solar photovoltaic industry will gradually recover. The Group will concentrate its resources on existing business development while continue to look for appropriate investment opportunities in the energy and resources sector.

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

As at 30 June 2009, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, relating to the required standards of dealing by directors of listed issuers, to be notified to the Company and the Stock Exchange were as follows:

(1) Long positions in the ordinary shares of HK\$0.001 each of the Company

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

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

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

(2) Long positions in the underlying shares of the Company

Share Option Scheme

The Company's existing share option scheme (the "Scheme") was adopted on 20 December 2001 and became effective on 8 January 2002. Particulars and movements of the outstanding share options granted under the Scheme during the six months ended 30 June 2009 were as follows:—

Name or category of participant	Number of share options					Outstanding as at 30/06/2009	Date of grant of share options (Note a)	Exercise period of share options	Subscription price per share HK\$	Price per share immediately preceding the grant date of share options (Note b)	Price per share immediately preceding the exercise date of share options (Note c)
	Outstanding as at 01/01/2009	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period					HK\$	HK\$
Directors											
LIU Wei, William	10,000,000	-	-	-	-	10,000,000	22/11/2007	22/05/2008 – 07/01/2012	1.20	1.20	N/A
SHI Lixin	10,000,000	-	-	-	-	10,000,000	22/11/2007	22/05/2008 – 07/01/2012	1.20	1.20	N/A
Sub-total	20,000,000	-	-	-	-	20,000,000					
Employees											
	1,200,000	-	-	-	-	1,200,000	22/11/2007	22/05/2008 – 07/01/2012	1.20	1.20	N/A
Others											
	240,000	-	-	-	-	240,000	15/04/2002	15/04/2003 – 07/01/2012	0.69	0.68	N/A
Total	21,440,000	-	-	-	-	21,440,000					

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

(2) Long positions in the underlying shares of the Company (Continued)

Share Option Scheme (Continued)

Notes:

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

From the date of grant of share options	Exercisable Percentage
Within 12 months	Nil
13th – 24th months	33 $\frac{1}{3}$ %
25th – 36th months	33 $\frac{1}{3}$ %
37th – 48th months	33 $\frac{1}{3}$ %

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

- (b) The price of the Shares disclosed as immediately preceding the grant date of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options.
- (c) The weighted average closing price of the Shares immediately before the date on which the options were exercised.
- (d) As no share options were granted during the six months ended 30 June 2009, no consideration in respect of share options was received and the disclosure of value of options granted during the period is also not applicable.

Convertible Securities, Options, Warrants or Similar Rights

On 16 October 2007, convertible notes of HK\$14.7 million with an initial conversion price of HK\$0.007 per conversion share of the Company were issued to Hong Bridge, a company wholly owned by Mr. HE Xuechu.

During the six months ended 30 June 2009, there was no conversion of the Company's outstanding convertible notes.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2009, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

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

So far as is known to any Director or chief executive of the Company, as at 30 June 2009, shareholders (other than 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 were as follows:

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

Name of Director	Number of ordinary shares held		Total number of shares held	Approximate Percentage of shareholding
	Direct interest	Interest of controlled corporation		
Hong Bridge	2,555,000,000 (Note a)	–	2,555,000,000	74.87%
NG Hung Sang	30,800	280,764,403 (Note b)	280,795,203	8.23%

Notes:

- (a) Hong Bridge is wholly owned by Mr. HE Xuechu, the Chairman and a director of the Company.
- (b) Mr. Ng Hung Sang has control over the following corporations that have direct interest in the Company:

Name of controlled corporation	Percentage of control	Direct interest in the Company
Fung Shing Group Limited	100%	99,012,563
Ronastar Investments Limited	100%	4,166,400
Parkfield Holdings Limited	100%	92,966,000
Earntrade Investments Limited	60%	25,293,600
Bannock Investment Limited	100%	59,325,840
		<u>280,764,403</u>

Save as disclosed above, as at 30 June 2009, the Company had not been notified by any other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of 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.

Directors' and Management Shareholders' Interests in Competing Business

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

Save as disclosed above, none of the Directors or the management shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete or had any conflicts of interest with the business of the Group for the six months ended 30 June 2009.

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 six months ended 30 June 2009.

Compliance with the Model Code

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.

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 six months ended 30 June 2009.

Audit Committee

The Company 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 three members, Mr. CHAN Chun Wai, Tony (Committee Chairman), Mr. FOK Hon and Mr. MA Gang, who are Independent Non-Executive Directors of the Company.

The Group's unaudited results for the six months ended 30 June 2009 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

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

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

As at the date of this report, the Board comprises (1) Mr. HE Xuechu, Mr. LIU Wei, William and Mr. SHI Lixin as Executive Directors; and (2) Mr. CHAN Chun Wai, Tony, Mr. FOK Hon and Mr. MA Gang as Independent Non-Executive Directors.

On behalf of the Board

HE Xuechu
Chairman

Hong Kong, 6 August 2009