



# HONBRIDGE HOLDINGS LIMITED

洪橋集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8137)

## THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

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

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*This announcement, 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 announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## Unaudited Consolidated Quarterly 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 three months and nine months ended 30 September 2009, together with the comparative unaudited figures for the corresponding periods in 2008, as follows:

### Consolidated Statement of Comprehensive Income – Unaudited

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
<b>Revenue</b>	2	<b>6,087</b>	27,441	<b>18,349</b>	45,096
Cost of sales		<b>(3,821)</b>	(21,341)	<b>(12,810)</b>	(34,572)
Gross profit		<b>2,266</b>	6,100	<b>5,539</b>	10,524
Other operating income		<b>483</b>	171	<b>536</b>	292
Selling and distribution costs		<b>(1,389)</b>	(2,276)	<b>(4,385)</b>	(6,647)
Administrative expenses		<b>(2,687)</b>	(3,974)	<b>(8,115)</b>	(11,655)
Other operating expenses		–	–	<b>(594)</b>	–
Operating profit (loss)		<b>(1,327)</b>	21	<b>(7,019)</b>	(7,486)
Finance costs		<b>(1,043)</b>	(457)	<b>(2,758)</b>	(962)
<b>Loss before income tax</b>	3	<b>(2,370)</b>	(436)	<b>(9,777)</b>	(8,448)
Income tax expense	5	–	–	–	–
Loss for the period		<b>(2,370)</b>	(436)	<b>(9,777)</b>	(8,448)
<b>Other comprehensive income, including reclassification adjustments</b>					
Exchange gain on translation of financial statements of foreign operations		<b>10</b>	–	<b>21</b>	–
Total comprehensive loss for the period		<b>(2,360)</b>	(436)	<b>(9,756)</b>	(8,448)
<b>Loss for the period attributable to:</b>					
Equity holders of the Company		<b>(2,095)</b>	(818)	<b>(8,485)</b>	(8,853)
Minority interests		<b>(275)</b>	382	<b>(1,292)</b>	405
		<b>(2,370)</b>	(436)	<b>(9,777)</b>	(8,448)
<b>Total comprehensive loss for the period attributable to:</b>					
Equity holders of the Company		<b>(2,089)</b>	(818)	<b>(8,472)</b>	(8,853)
Minority interests		<b>(271)</b>	382	<b>(1,284)</b>	405
		<b>(2,360)</b>	(436)	<b>(9,756)</b>	(8,448)
<b>Basic loss per share loss attributable to the equity holders of the Company during the period</b>	7	<b>HK(0.05) cent</b>	HK(0.02) cent	<b>HK(0.23) cent</b>	HK(0.26) cent

Notes:

## **1. Basis of Presentation**

The unaudited consolidated financial statements for the three months and nine months ended 30 September 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 except that the Group has applied for the first time the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the current financial period.

### **HKAS 1 (Revised) Presentation of financial statements**

The adoption of HKAS 1 (Revised) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". Comparatives have been restated to conform with the revised standard.

### **HKFRS 8 Operating segments**

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

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.

## **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 nine months ended 30 September 2009, loss before income tax is arrived at after charging depreciation of approximately HK\$466,000 and HK\$1,905,000 respectively (three months and nine months ended 30 September 2008: HK\$539,000 and HK\$780,000 respectively) in respect of the Group's property, plant and equipment.

### 4. Segment Information

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

##### Nine months ended 30 September 2009

	Silicon products HK\$'000	Publications HK\$'000	Total HK\$'000
Segment revenue	2,460	15,889	18,349
Segment results	(1,838)	(1,231)	(3,069)
Unallocated expenses			(3,950)
Finance costs			(2,758)
Loss before income tax			(9,777)
Income tax expense			–
Loss for the period			(9,777)

##### Nine months ended 30 September 2008

	Silicon products HK\$'000	Publications HK\$'000	Total HK\$'000
Segment revenue	26,291	18,805	45,096
Segment results	1,012	(2,556)	(1,544)
Unallocated expenses			(5,942)
Finance costs			(962)
Loss before income tax			(8,448)
Income tax expense			–
Loss for the period			(8,448)

#### 4. **Segment Information** (Continued)

##### (b) **Secondary report format – geographical segments**

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

	<b>Three months</b>		<b>Nine months</b>	
	<b>ended 30 September</b>		<b>ended 30 September</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
Mainland China	<b>662</b>	20,426	<b>2,460</b>	26,291
Hong Kong	<b>5,425</b>	7,015	<b>15,889</b>	18,805
	<b>6,087</b>	27,441	<b>18,349</b>	45,096

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

#### 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 nine months ended 30 September 2009 (three months and nine months ended 30 September 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 nine months ended 30 September 2009 (nine months ended 30 September 2008: Nil).

#### 7. **Loss Per Share**

The calculation of basic loss per share for the three months and nine months ended 30 September 2009 are based on the loss attributable to the equity holders of the Company of HK\$2,095,000 and HK\$8,485,000 (three months and nine months ended 30 September 2008: loss of HK\$818,000 and HK\$8,853,000) and on the weighted average number of 4,212,937,107 and 3,682,390,046 shares in issue (30 September 2008: 3,412,719,716 shares in issue respectively).

For the three months and nine months ended 30 September 2009, no diluted loss per share has been presented because the outstanding share options had an anti-dilutive effect.

## 8. Movement of Reserves

Movement in reserves:–

	Three months ended 30 September		Nine months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Loss attributable to the equity holders of the Company during the period	<b>(2,095)</b>	(818)	<b>(8,485)</b>	(8,853)
Effect on conversion of convertible notes	<b>12,560</b>	–	<b>12,560</b>	–
Change in translation reserve	<b>10</b>	–	<b>21</b>	–
	<b>10,475</b>	(818)	<b>4,096</b>	(8,853)

## 9. Subsequent Event

On 7 November 2009, the Company entered into an agreement with an independent third party regarding the acquisition of a mining company. Details of the acquisition are pending for the approval of the Stock Exchange. Preliminary information of the acquisition has been disclosed in the Company announcement on 9 November 2009.

## **Management Discussion and Analysis**

### **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 mining 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.

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

As at 30 September 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(s)	Total	
HE Xuechu	–	4,095,000,000 (Note)	4,095,000,000	74.28%

Note: The 4,095,000,000 shares were held by Hong Bridge Capital Limited ("Hong Bridge"). Hong Bridge is wholly owned by Mr. HE Xuechu.

## 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 period for the nine months ended 30 September 2009 (the "Period") were as follows:-

Name or category of participant	Number of share options					Outstanding as at 30/09/2008	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 01/01/2008	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 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 nine months ended 30 September 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 nine months ended 30 September 2009, all outstanding convertible notes of the Company were converted into the Company's ordinary shares of HK\$0.001 per share. All shares are ranked equally and without preference.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 September 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 September 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 substantial shareholder	Number of ordinary shares held		Approximate percentage of shareholding	
	Direct interest	Interest of controlled corporation		Total number of shares held
Hong Bridge	4,095,000,000 (Note)	–	4,095,000,000	74.28%
HE Xuechu	–	4,095,000,000	4,095,000,000	74.28%
GUI Shengyue	300,000,000	–	300,000,000	5.44%

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

Save as disclosed above, as at 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 three months and nine months ended 30 September 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 nine months ended 30 September 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 announcement, 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, 12 November 2009

*This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting and on the website of the Company [www.8137.hk](http://www.8137.hk).*