



HONBRIDGE HOLDINGS LIMITED
洪橋集團有限公司
(股份代號：8137)



First Quarterly Report 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.

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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 Growth Enterprise Market 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 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 ended 31 March 2010, together with the comparative unaudited figures for the corresponding period in 2009, as follows:

Consolidated Income Statement – Unaudited

	Notes	Three months ended 31 March	
		2010 HK\$'000	2009 HK\$'000
Revenue	2	11,035	4,923
Direct operating expenses		(8,278)	(3,736)
Other operating income		4	20
Selling and distribution costs		(1,455)	(1,499)
Administrative expenses		(4,095)	(2,849)
Other operating expenses		–	(213)
Operating loss	3	(2,789)	(3,354)
Finance costs		(1,152)	(455)
Loss before income tax		(3,941)	(3,809)
Income tax expense	5	–	–
Loss for the period		(3,941)	(3,809)
Other comprehensive income, including reclassification adjustments			
Exchange (loss)/gain on translation of financial statements of foreign operations		74	177
Other comprehensive income, net of tax		74	(3,632)
Total comprehensive income for the period		(3,867)	(3,809)
Loss for the period attributable to:			
Owners of the Company		(3,410)	(3,407)
Minority interests		(531)	(402)
		(3,941)	3,809
Total comprehensive income attributable to:			
Owners of the Company		(3,366)	(3,301)
Minority interests		(501)	(331)
		(3,867)	(3,632)
Basic loss per share for loss attributable to the of the Company during the period	7	HK(0.06) cent	HK(0.10) cent

Notes:

1. Basis of Presentation

The unaudited consolidated financial statements for the three months ended 31 March 2010 has not been audited by the Company's auditors but has 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 quarterly financial statements should be read, where relevant, in conjunction with the 2009 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 2009.

2. 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 period is as follows:

	For the three months ended 31 March	
	2010 HK\$'000	2009 HK\$'000
Sale of silicon products	5,383	655
Sale of magazines, promotion and advertising income	5,652	4,268
	11,035	4,923

3. Operating Loss

During the three months ended 31 March 2010, operating loss is arrived at after charging depreciation of HK\$342,000 (three months ended 31 March 2009: HK\$640,000) in respect of the Group's property, plant and equipment and cost of inventories recognised as expense of HK\$5,780,000 (31 March 2009: HK\$748,000).

4. 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 product and service in Hong Kong, Mainland China and Brazil market.

4. Segment Information (Continued)

The Company is an investment holding company and the principal places of the Group's operation in service 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, Mainland China and Brazil as its country of domicile.

Three months ended 31 March 2010

	Mineral resources exploration HK\$'000	Silicon products HK\$'000	Publications HK\$'000	Total HK\$'000
Reportable segment revenue (external customers)	–	5,383	5,652	11,035
Reportable segment results	–	(1,328)	863	(465)
Reportable segment assets	1,332,780	76,381	9,266	1,418,427
Reportable segment liabilities	445,337	38,420	9,326	493,083
Capital expenditure	–	559	–	559
Interest income	–	6	–	6
Interest expense	–	177	–	177
Depreciation	–	265	22	287
Amortisation charge	–	41	–	41

Three months ended 31 March 2009

	Mineral resources exploration HK\$'000	Silicon products HK\$'000	Publications HK\$'000	Total HK\$'000
Reportable segment revenue (external customers)	–	655	4,268	4,923
Reportable segment results	–	(793)	(1,254)	(2,047)
Reportable segment assets	–	83,827	8,425	92,252
Reportable segment liabilities	–	37,694	9,345	47,039
Capital expenditure	–	2,228	–	2,228
Interest income	–	13	–	13
Interest expense	–	227	–	227
Depreciation	–	630	10	640
Amortisation charge	–	–	–	–

4. Segment Information (Continued)

Reportable segment revenue represents 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 consolidated income statement as follows:

	For the three months ended 31 March	
	2010 HK\$'000	2009 HK\$'000
Reportable segment results	(465)	(2,047)
Other operating revenue	–	–
Administrative expenses	(2,501)	(1,546)
Other finance costs	(975)	(216)
	(3,941)	(3,809)

The Group's revenues from external customers are divided into the following geographical areas:

	For the three months ended 31 March	
	2010 HK\$'000	2009 HK\$'000
Revenues from external customers		
Hong Kong	5,652	4,268
Mainland China	5,382	655
Brazil	–	–
Reportable segment revenue from external customers	11,035	4,923

The geographical location of customers is based on the location at which the services were provided or the goods delivered.

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 ended 31 March 2010 (three months ended 31 March 2009: Nil). The PRC enterprise income tax is calculated at the rates prevailing in the relevant region.

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 periods.

6. Dividend

The Board has resolved not to declare the payment of an interim dividend for the three months ended 31 March 2010 (three months ended 31 March 2009: Nil).

7. Loss per Share

The calculation of basic loss per share for the three months ended 31 March 2010 is based on the loss attributable to the owners of the Company of HK\$3,410,000 (three months ended 31 March 2009: HK\$3,407,000) and on 5,566,803,183 weighted average number of shares (three months ended 31 March 2009: 3,412,719,716 shares).

No diluted loss per share for the three months ended 31 March 2010 and 31 March 2009 have been presented because the impact of the share options and convertible bonds had anti-dilutive effect.

8. Movement of Reserves

Movement of reserves for the Group during the period is set out below:

	Share capital	Share premium	Capital reserve	Other reserve	Employee compensation reserve	Translation reserve	Convertible bonds equity reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010	5,513	44,511	(327)	5,848	3,537	72	-	(82,495)	(23,341)
Issue of new shares	600	264,972	-	-	-	-	-	-	265,572
Exercise of share options	1	1,585	-	-	(190)	-	-	-	1,396
Issue of convertible bonds	-	-	-	-	-	-	113,346	-	113,346
Transactions with owners	601	266,557	-	-	(190)	-	113,346	-	380,314
Loss for the period	-	-	-	-	-	-	-	(3,410)	(3,410)
Other comprehensive income									
Currency translation	-	-	-	-	-	74	-	-	74
Total comprehensive income	-	-	-	-	-	74	-	(3,410)	(3,336)
At 31 March 2010	6,114	311,068	(327)	5,848	3,347	146	113,346	(85,905)	353,637

Management Discussion and Analysis

Business Review and Strategy

For the three months ended 31 March 2010, the Group's turnover increased 124% to HK\$11.0 million compared to the same period in prior year, which was mainly attributable to the increase in sales of silicon products from HK\$0.7 million to HK\$5.4 million as a result of full recovery in the silicon market in 2010.

Our silicon business achieved a turnover of HK\$5.4 million, representing an increase of 722% increase compared to the same period in 2009. Segment loss for the period increased by 67% to HK\$1.3 million, which was mainly because the silicon segment has not yet reached its optimal production capacity. The increase in the cost of production was higher than increase in sales revenue.

Our publication business accounted for a turnover of HK\$5.7 million, representing a 32% increase compared to the same period in 2009. Publication segment returned to a profit of HK\$0.9 million from a loss of HK\$0.5 million in 2009 which was mainly contributable to the increase in revenue from holding functions and gatherings of HK\$1.8 million.

On 24 March 2010, the Group has completed the acquisition of 66% equity interest in Xianglan Do Brasil Mineracao Ltda. ("Xianglan Brazil"). As Xianglan Brazil is engaged in the business of mineral resources exploration and the acquisition completion date was close to the period end, Xianglan Brazil did not contribute revenue and income to the Group in the reporting period.

Prospects

The Group under the existing management has been continuously looking for appropriate investment opportunities in the energy and resources sector. To implement such strategy, the Group has acquired a silicon business in 2008 and has been investing in the research and development of solar graded silicon. Recently, the Group has acquired a manganese exploration company, Xianglan Brazil, which holds three manganese exploration licenses in the Bahia State of Brazil. In order to enable the Group to fully implement its strategy in the energy and resources sector, it has entered into a share purchase agreement to acquire the entire share capital of an iron exploration company, Sul Americana de Metais S.A. ("SAM") which holds 85 iron exploration licenses in the Minas Gerais State and the Bahia State of Brazil.

The directors of the Company expects that the above acquisitions will enlarge the business scope of the Group and the Group will be engaged in the development and mining activities in the near future.

Liquidity and Financial Resources

During the three months ended 31 March 2010, the Group's operation was mainly financed by the internal financial resources of the Group and the loan from the ultimate holding company.

As at 31 March 2010, the Group had net current assets of HK\$46.7 million (31 December 2009: net current liabilities of HK\$15.0 million). Current assets comprised bank balances and cash of HK\$66.8 million, inventories of HK\$11.4 million, trade and bills receivables of HK\$3.7 million and other receivables of HK\$14.0 million. Current liabilities comprised trade payables of HK\$8.3 million, other payables, accrued expenses and receipts in advance of HK\$20.0 million and borrowings of HK\$20.9 million.

As at 31 March 2010, the gearing ratio of the Group which is measured by total borrowings to total equity was 0.17 (31 March 2009: 2.27).

Major Acquisitions

On 7 November 2009, the Company entered into an equity transfer agreement with Brilliant People Limited and Shandong Zhi Xiang Trading Limited to acquire a 66% equity interest of Xianglan Brazil. Xianglan Brazil is a company incorporated in Brazil and its principal activity is the identification and exploration of mineral resources and it holds three exploration licenses in the Bahia State of Brazil.

On 15 March 2010, a unanimous resolution was passed by the shareholders of the Company in an extraordinary general meeting to approve the acquisition on Xianglan Brazil. On 23 March 2010, all conditions precedents to the equity transfer agreement to acquire Xianglan Brazil have been fulfilled and on 24 March 2010, the Group completed the acquisition of Xianglan Brazil.

On 5 March 2010, the Company entered into a share purchase agreement with Lit Mining Cooperatief U.A. and Votorantim Novos Negocios Ltda. to acquire the entire share capital of SAM. SAM is a company incorporated in Brazil and its principal activity is the identification and exploration of mineral resources and it holds 85 exploration licenses in the Minas Gerais State and the Bahia State of Brazil. Details of which have been disclosed in an announcement of the Company on 16 April 2010.

As at the date of this report, the acquisition of SAM has not been completed and a circular setting out the details of the acquisition will be published by the Company in due course.

Capital Commitments

As at 31 March 2010, the Group has contracted but not provided for capital commitments in relation to the acquisition of SAM amounting to approximately HK\$3,023 million.

Contingent Liabilities

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

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

As at 31 March 2010, 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	Interests in shares			Approximate % of Shareholding
	Beneficial Owner	Interests of Controlled Corporation	Total	
HE Xuechu	–	4,095,000,000 (Note)	4,095,000,000	66.98%

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 the three months ended 31 March 2010 were as follows:–

Name or category of participant	Number of share options					Outstanding as at 31/3/2010	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	Price per share immediately preceding the exercise
	Outstanding as at 01/01/2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period					date of share options (Note b)	date of share options (Note c)
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	-	(1,164,000)	-	-	36,000	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	-	(1,164,000)	-	-	20,276,000					

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.

Convertible Securities, Options, Warrants or Similar Rights

On 24 March 2010, convertible notes of HK\$400 million with an initial conversion price of HK\$1.0 per conversion share of the Company were issued.

During the three months ended 31 March 2010, 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 31 March 2010, 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 31 March 2010, 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 shares and underlying shares of HK\$0.001 each of the Company

Name of shareholder	Interests in shares			Approximate percentage of shareholding
	Direct interest	Interest of controlled corporation	Total interests in shares	
Hong Bridge	4,095,000,000 (Note 1)	–	4,095,000,000	66.98%
HE Xuechu	–	4,095,000,000	4,095,000,000	66.98%
Brilliant People Limited	1,000,000,000 (Note 2)	–	1,000,000,000	16.36%
Shandong Zhi Xiang Trading Limited	–	1,000,000,000 (Note 2)	1,000,000,000	16.36%
Zhang He Xiang	–	1,000,000,000 (Note 2)	1,000,000,000	16.36%
Liu Heng	–	1,000,000,000 (Note 2)	1,000,000,000	16.36%

Notes:

- Hong Bridge is wholly owned by Mr. HE Xuechu, the Chairman of the Company.
- The 1,000,000,000 shares held by Brilliant People Limited represent 600,000,000 shares and 400,000,000 underlying shares. Shandong Zhi Xiang Trading Limited, Zhang He Xiang and Liu Heng are interested in the entire issued share capital of Brilliant People Limited.

Save as disclosed above, as at 31 March 2010, 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.

Connected Transactions

During the three months ended 31 March 2010, Hong Bridge Capital Limited, the ultimate holding company of the Company, provided a loan of HK\$2 million repayable on 7 January 2013 and a loan of HK\$40 million repayable on 25 March 2013. 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.

Directors' and Management Shareholders' Interests in Competing Business

Mr. FOK Hon, an Independent Non-Executive Director of the Company, is also an executive director of All Leaders Publication Group Limited. Since All Leaders Publication Group Limited is engaged in the media and publishing 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 three months ended 31 March 2010.

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 three months ended 31 March 2010.

Compliance With the Model Code

The Company has adopted the required standard of dealings set out in Rules 5.46 to 5.68 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 three months ended 31 March 2010.

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 ended 31 March 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.



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

During the three months ended 31 March 2010, 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; (2) Mr. YAN Weimin as Non-Executive Director and (3) 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, 29 April 2010