



HONBRIDGE HOLDINGS LIMITED
洪橋集團有限公司
(Stock Code: 8137)



First Quarterly Report



2011

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.

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 2011, together with the comparative unaudited figures for the corresponding period in 2010, as follows:

CONSOLIDATED INCOME STATEMENT – UNAUDITED

| | Notes | Three months ended 31 March | |
|--|-------|--------------------------------|------------------|
| | | 2011 HK\$'000 | 2010 HK\$'000 |
| Revenue | 2 | 107,815 | 11,035 |
| Direct operating expenses | | (106,498) | (8,278) |
| Other operating income | 3 | 4,337 | 4 |
| Selling and distribution costs | | (397) | (1,455) |
| Administrative expenses | | (6,200) | (4,095) |
| Share based payment | 4 | (17,246) | – |
| Operating loss | 5 | (18,189) | (2,789) |
| Finance costs | 7 | (12,260) | (1,152) |
| Loss before income tax | | (30,449) | (3,941) |
| Income tax expense | 8 | (44) | – |
| Loss from continuing operation for the period | | (30,493) | (3,941) |
| Gain on disposal of subsidiaries less loss from discontinued operation for the period | | 2,029 | – |
| Loss for the period | | (28,464) | (3,941) |
| Other comprehensive income, including reclassification adjustments | | | |
| Exchange gain on translation of financial statements of foreign operations | | 870 | 74 |
| Other comprehensive income, net of tax | | 870 | 74 |
| Total comprehensive income for the period | | (27,594) | (3,887) |
| Loss for the period attributable to: | | | |
| Owners of the Company | | (28,031) | (3,410) |
| Non-controlling interests | | (433) | (531) |
| | | (28,464) | (3,941) |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | (27,454) | (3,366) |
| Non-controlling interests | | (140) | (501) |
| | | (27,594) | (3,867) |
| Basic loss per share for loss attributable to the owners of the Company during the period | 10 | HK(0.46) cent | HK(0.06) cent |

Notes:

1. BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months ended 31 March 2011 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 2010 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 2010.

2. REVENUE

Revenue, which is also the Group's turnover, represents total invoiced value of goods supplied and income from provision of services.

3. OTHER OPERATING INCOME

| | For the three months ended 31 March | |
|---|--|------------------|
| | 2011 HK\$'000 | 2010 HK\$'000 |
| Bank Interest income | 122 | – |
| Imputed interest on advances to an acquiring business | 4,136 | – |
| Sundry income | 79 | 4 |
| | 4,337 | 4 |

4. SHARE BASED PAYMENT

Share based payment represents amortisation of the fair value of the Company's share options during the period.

5. OPERATING LOSS

| | For the three months ended 31 March | |
|---|--|------------------|
| | 2011 HK\$'000 | 2010 HK\$'000 |
| Operating loss is arrived at after charging/(crediting) : | | |
| Cost of inventories recognised as expense | 90,349 | 5,780 |
| Share-based payment expenses | 17,246 | – |
| Depreciation | 662 | 342 |
| Gain on disposal of subsidiaries | (2,029) | – |

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 product and services in Hong Kong, Mainland China and Brazil.

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 2011

| | Mineral resources exploration and trading HK\$'000 | Silicon products HK\$'000 | Total continuing operation HK\$'000 | Publications (discontinued) HK\$'000 | Total HK\$'000 |
|--|--|---------------------------------|--|--|-------------------|
| Reportable segment revenue (external customers) | 90,925 | 16,890 | 107,815 | 4,367 | 112,182 |
| Reportable segment results | (1,106) | (292) | (1,398) | (1,240) | (2,638) |
| Reportable segment assets | 2,146,462 | 81,115 | 2,227,577 | 6,884 | 2,234,461 |
| Reportable segment liabilities | 740,237 | 37,533 | 777,770 | 10,451 | 788,221 |
| Capital expenditure | 2,973 | 665 | 3,638 | - | 3,638 |
| Depreciation | 69 | 516 | 585 | 21 | 606 |

Three months ended 31 March 2010

| | Mineral resources exploration and trading 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 |
| Depreciation | - | 265 | 22 | 287 |

6. 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 financial statement as follows:

| | For the three months ended 31 March | |
|----------------------------------|--|----------|
| | 2011 | 2010 |
| | HK\$'000 | HK\$'000 |
| Reportable segment results | (2,638) | (465) |
| Other operating income | 4,136 | – |
| Administrative expenses | (2,485) | (2,501) |
| Share based payment | (17,246) | – |
| Gain on disposal of subsidiaries | 2,029 | – |
| Finance costs | (12,260) | (975) |
| | (28,464) | (3,941) |

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

| | For the three months ended 31 March | |
|--|--|----------|
| | 2011 | 2010 |
| | HK\$'000 | HK\$'000 |
| Revenues from external customers | | |
| Hong Kong | 4,367 | 5,652 |
| Mainland China | 107,815 | 5,382 |
| Reportable segment revenue from external customers | 112,182 | 11,035 |

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

7. FINANCE COSTS

| | For the three months ended 31 March | |
|---|--|----------|
| | 2011 | 2010 |
| | HK\$'000 | HK\$'000 |
| Interest charges on other borrowings wholly repayable within five years | – | 177 |
| Imputed interest on convertible bonds | 8,527 | 282 |
| Imputed interest on loans from ultimate holding company | 3,733 | 693 |
| | 12,260 | 1,152 |

8. 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 2011 (three months ended 31 March 2010: 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.

9. DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the three months ended 31 March 2011 (three months ended 31 March 2010: Nil).

10. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2011 is based on the loss attributable to the owners of the Company of HK\$28,031,000 (three months ended 31 March 2010: HK\$3,410,000) and on 6,125,919,716 weighted average number of shares (three months ended 31 March 2010: 5,566,803,183 shares).

No diluted loss per share for the three months ended 31 March 2011 and 31 March 2010 have been presented because the impact of the share options and convertible bonds was anti-dilutive.

11. MOVEMENT OF RESERVES

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

Changes in Equity

| | Share capital | Share premium | Capital reserve | Other reserve | Share based payment reserve | Translation reserve | Convertible bonds equity reserve | Accumulated losses | Total | Non-controlling interest | Total equity |
|---|---------------|----------------|-----------------|---------------|-----------------------------|---------------------|----------------------------------|--------------------|----------------|--------------------------|------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2011 | 6,126 | 527,734 | (327) | 32,184 | 317,772 | 67,136 | 363,304 | (527,173) | 786,756 | 495,588 | 1,282,344 |
| Equity settled share based transactions | - | - | - | - | 17,246 | - | - | - | 17,246 | - | 17,246 |
| Disposal of subsidiaries | - | - | 327 | - | - | - | - | - | 327 | - | 327 |
| Transaction with owners | - | - | 327 | - | 17,246 | - | - | - | 17,573 | - | 17,573 |
| Loss for the period | - | - | - | - | - | - | - | (28,031) | (28,031) | (433) | (28,464) |
| Currency translation | - | - | - | - | - | 577 | - | - | 577 | 293 | 870 |
| Total comprehensive income | - | - | - | - | - | 577 | - | (28,031) | (27,454) | (140) | (27,594) |
| At 31 March 2011 | 6,126 | 527,734 | - | 32,184 | 335,018 | 67,713 | 363,304 | (555,204) | 776,875 | 495,448 | 1,272,323 |

12. DISPOSAL OF SUBSIDIARIES

- (a) For the three months ended 31 March 2011, the Group disposed 100% equity interest in Great Ready Assets Limited and its subsidiaries (the "Disposal Group"). Particulars of the disposal transaction are as follows:

| | HK\$'000 |
|---|----------|
| <hr/> | |
| Net liabilities disposed of : | |
| Plant and equipment | 151 |
| Trade receivables | 3,987 |
| Other receivables | 2,189 |
| Bank balances | 556 |
| Trade payables | (6,672) |
| Other payables | (3,779) |
| | <hr/> |
| | (3,568) |
| Realisation of capital reserve | 327 |
| | <hr/> |
| | (3,241) |
| Loss from discontinued operation for the period | 1,240 |
| Gain on disposal of subsidiaries less loss from discontinued operation for the period | 2,029 |
| | <hr/> |
| Total consideration less expenses of disposal of subsidiaries | 28 |
| | <hr/> |

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the three months ended 31 March 2011, the Group's turnover increased 8.8 times to HK\$107.8 million compared to the same period in prior year, which was mainly attributable to trading of mineral resources commenced during the period that contributed HK\$90.9 million revenue to the Group. The mineral resources trading business recorded a loss of HK\$1.1 million during the period.

Our silicon business achieved a turnover of HK\$16.9 million, representing an increase of 214% compared to the same period in 2010. Segment loss for the period decreased by 78% to HK\$0.3 million, which was mainly due to the increased production that lowered the unit production cost.

Our publication business accounted for a turnover of HK\$4.4 million, representing a moderate 2% increase compared to the same period in 2010. Publication segment recorded a loss of HK\$1.2 million as compared to a profit of HK\$0.9 million which was mainly due to the decrease in sponsorship income for promotion events of HK\$1.5 million and the increase of increase of administrative expenses of HK\$0.6 million.

In order to enable to the Group to concentrate on the resources and energy sector that has a better growth potential and enable to Group to have a clearer business strategy, the Group has disposal of the entire publication business on 31 March 2011.

Liquidity and Financial Resources

During the three months ended 31 March 2011, the Group's operation was mainly financed by the internal financial resources and the substantial shareholder of the Group.

As at 31 March 2011, the Group had net current assets of HK\$44.8 million (31 December 2010: HK\$55.1 million). Current assets comprised bank balances and cash of HK\$12.4 million, inventories of HK\$10.4 million, trade and bills receivables of HK\$10.9 million, other receivables of HK\$18.9 million and derivative financial assets of HK\$44.3 million. Current liabilities comprised trade payables of HK\$19.1 million, other payables, accrued expenses and receipts in advance of HK\$22.5 million and borrowings of HK\$10.5 million.

As at 31 March 2011, the gearing ratio of the Group which is measured by total borrowings to total equity was 0.25 (31 December 2010: 0.20).

Major Disposal

On 31 January 2011, the Company entered into a sale and purchase agreement with Win Gain Investments Limited to sell the entire share capital of Great Ready Assets Limited and its subsidiaries. Great Ready Assets Limited and its subsidiaries hold the magazine publication of the Group. After the disposal, the Group has disposed of its entire publication business.

On 18 March 2011, a unanimous resolution was passed by the shareholders of the Company in an extraordinary general meeting to approve the disposal of the publication business. On 31 March 2011, all conditions precedents to the sale and purchase agreement have been fulfilled and the Group completed the disposal.

Capital Commitments

As at 31 March 2011, the Group has contracted but not provided for capital commitments in relation to the acquisition of SAM amounting to USD380 million (equivalent to approximately HK\$2,964,000,000).

Contingent Liabilities

As at 31 March 2011, the Group did not have any significant contingent liabilities.

Progress of Exploration Activities

During the three months ended 31 March 2011, except for the acquiring SAM Iron Mine, the Group has no exploration, development or mining production activities.

Updated progress of SAM Acquisition, Brazil

Resource Confirmation of SAM Iron Mine, Brazil has already been completed and the Company has released USD10 million deposit to Lit Mining.

The environmental evaluation relating to the exploitation and beneficiation and the preliminary construction design is progressing in accordance with original schedule.

The beneficiation tests of Block 8 have been carried out with preliminary results indicated that: one single beneficiation can deal with all ores. The iron concentrate matches well with general specification. Energy consumption for grinding is relatively small, and the iron recovery could be as high as 86.93%. The Company is evaluating the preliminary beneficiation tests result and is currently in discussion with VNN and Lit Mining on the Closing timetable.

Prospect

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 business with better growth potential, and enables the Group to have a clearer business strategy.

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.

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

As at 31 March 2011, 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 shares in the Company | | | | Total | Approximate percentage of shareholding (%) |
|-----------------------|---------------------------------|--------------------|------------------------------------|-------------------------------------|---------------|--|
| | Beneficial owner | Interest of spouse | Interest of controlled corporation | Number of Share option ² | | |
| HE Xuechu | – | 21,816,000 | 4,095,000,000 ¹ | – | 4,116,816,000 | 67.20 |
| LIU Wei, William | – | – | – | 40,000,000 | 40,000,000 | 0.65 |
| SHI Lixin | – | – | – | 30,000,000 | 30,000,000 | 0.49 |
| YAN Weimin | – | – | – | 30,000,000 | 30,000,000 | 0.49 |
| ANG Siu Lun, Lawrence | – | – | – | 15,000,000 | 15,000,000 | 0.24 |
| CHAN Chun Wai, Tony | – | – | – | 3,000,000 | 3,000,000 | 0.05 |
| FOK Hon | – | – | – | 3,000,000 | 3,000,000 | 0.05 |
| MA Gang | – | – | – | 3,000,000 | 3,000,000 | 0.05 |

Note:

1. The 4,095,000,000 shares were held by Hong Bridge Capital Limited ("Hong Bridge"). Hong Bridge is wholly owned by Mr. HE Xuechu.
2. This refers to the number of underlying shares of the Company covered by its share option scheme.

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

Details of options granted

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 2011 were as follows:–

| Name or category of participant | Number of share options | | | | | Outstanding as at 31/3/2011 | Date of grant of share options (Note a) | Exercise period of share options | Exercise price per share option (Note b) HK\$ | Price immediately preceding the grant date of share options (Note c) HK\$ | Price immediately preceding the exercise date of share options HK\$ |
|--|------------------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|-----------------------------|---|----------------------------------|--|--|--|
| | Outstanding as at 01/01/2011 | Granted during the period | Exercised during the period | Lapsed during the period | Cancelled during the period | | | | | | |
| Director | | | | | | | | | | | |
| LIU Wei, William | 10,000,000 | - | - | - | - | 10,000,000 | 22/11/2007 | 22/05/2008 – 07/01/2012 | 1.20 | 1.20 | N/A |
| | 30,000,000 | - | - | - | - | 30,000,000 | 06/05/2010 | 06/05/2011 – 05/05/2018 | 2.60 | 2.13 | 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 |
| | 20,000,000 | - | - | - | - | 20,000,000 | 06/05/2010 | 06/05/2011 – 05/05/2018 | 2.60 | 2.13 | N/A |
| YAN Weimin | 30,000,000 | - | - | - | - | 30,000,000 | 06/05/2010 | 06/05/2011 – 05/05/2018 | 2.60 | 2.13 | N/A |
| ANG Siu Lun, Lawrence | 15,000,000 | - | - | - | - | 15,000,000 | 06/05/2010 | 06/05/2011 – 05/05/2018 | 2.60 | 2.13 | N/A |
| CHAN Chun Wai, Tony | 3,000,000 | - | - | - | - | 3,000,000 | 06/05/2010 | 06/05/2011 – 05/05/2018 | 2.60 | 2.13 | N/A |
| FOK Hon | 3,000,000 | - | - | - | - | 3,000,000 | 06/05/2010 | 06/05/2011 – 05/05/2018 | 2.60 | 2.13 | N/A |
| MA Gang | 3,000,000 | - | - | - | - | 3,000,000 | 06/05/2010 | 06/05/2011 – 05/05/2018 | 2.60 | 2.13 | N/A |
| Sub-total | 124,000,000 | - | - | - | - | 124,000,000 | | | | | |
| Employee | 21,000,000 | - | - | - | - | 21,000,000 | 06/05/2010 | 06/05/2011 – 05/05/2018 | 2.60 | 2.13 | N/A |
| Strategic cooperative partner (Xinwen) | 300,000,000 | - | - | - | - | 300,000,000 | 25/11/2010 | 25/11/2010 – 24/11/2013 | 3.15 | 3.09 | N/A |
| Others | 240,000 | - | - | - | - | 240,000 | 15/04/2002 | 15/04/2003 – 07/01/2012 | 0.69 | 0.68 | N/A |
| Total | 445,240,000 | - | - | - | - | 445,240,000 | | | | | |

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

Details of options granted – 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 | 331/3% |
| 25th – 36th months | 331/3% |
| 37th – 48th months | 331/3% |

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

Share options granted on 25 November 2010 under the Option Deed are exercisable in whole on the date of grant of the share options.

- (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.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 March 2011, 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 2011, 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 Shareholder | Number of Shares in the Company | | | Total number of shares held | Approximate percentage of shareholding (%) |
|--------------------------------------|---------------------------------|--------------------|-------------------------------------|-----------------------------|--|
| | Beneficial owner | Interest of spouse | Interests of controlled corporation | | |
| Hong Bridge | 4,095,000,000 (Note 1) | – | – | 4,095,000,000 | 66.85 |
| HE Yuechu (Note 2) | – | 21,816,000 | 4,095,000,000 (Note 1) | 4,116,816,000 | 67.20 |
| FOO Yatyan (Note 2) | 21,816,000 | 4,095,000,000 | – | 4,116,816,000 | 67.20 |
| Brilliant People Limited | 1,000,000,000 (Note 3) | – | – | 1,000,000,000 | 16.32 |
| Xin Wen Mining Group Company Limited | 300,000,000 (Note 4) | – | 10,000,000 | 310,000,000 | 5.06 |

Long Positions of Substantial Shareholders in the Ordinary Shares of HK\$0.001 Each of the Company – continued

Notes:

1. The 4,095,000,000 shares were held by Hong Bridge. Hong Bridge is wholly owned by Mr. HE Xuechu.
2. Ms. FOO Yatyan is the spouse of Mr. HE Xuechu.
3. The 1,000,000,000 shares held by Brilliant People Limited represent 600,000,000 shares of the Company and HK\$400,000,000 convertible notes with an initial conversion price of HK\$1.0 per conversion share of the Company.
4. The 300,000,000 shares held by Xin Wen Mining Group Company Limited represent 300,000,000 share options with exercise price of HK\$3.15 per share of the Company.

Save as disclosed above, as at 31 March 2011, 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.

Convertible bonds

On 24 March 2010, convertible bonds 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 2011, there was no conversion of the Company's outstanding convertible bonds.

Connected Transactions

As at 31 March 2011, Hong Bridge Capital Limited, the ultimate holding company of the Company, provided loans aggregating HK\$327,800,000 to the Group. 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.

During the three months ended 31 March 2011, the Group sold HK\$90,925,000 metal products to Shanghai Yingyue Industrial Co. Ltd., a company connected with a non-executive director of the Company Mr. YAN Weimin.

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.

Mr YAN Weimin, a non-executive director of the Company, is a shareholder holding 70% equity interests of Shanghai Yingyue Industrial Co. Ltd. ("Yingyue"), a company incorporated in the PRC. Yingyue is principally engaged in the provision of raw materials for construction (including steel products) in the PRC. An indirect wholly-owned subsidiary of the Company, Shanghai Hongying Trading Co. Ltd. ("Hongying Trading"), is a limited liabilities company incorporated in the PRC for the purpose of carrying out trading of steel and steel related products. Hongying Trading has entered into a distribution agreement with Yingyue, pursuant to which, Yingyue will become a non-exclusive distributor of the steel products sourced by Hongying Trading. Accordingly, Mr YAN is regarded as interested in such competing business of the Group by virtue of his interest in Yingyue.

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 2011.

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 2011.

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 2011.

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 2011 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 2011, 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 and Mr. ANG Siu Lun Lawrence as Non-Executive Directors and (3) Mr. CHAN Chun Wai, Tony, Mr. FOK Hon and Mr. MA Gang as Independent Non-Executive Directors.

On behalf of the Board

LIU Wei, William

Director and CEO

Hong Kong, 13 May 2011