



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



Half Year Report



2011

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Exchange. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

	Notes	Three months ended 30 June 2011		Six months ended 30 June 2011	
		HK\$'000	2010 HK\$'000	HK\$'000	2010 HK\$'000
Gross sales	2	405,727	25,179	513,542	36,214
Cost of sales		(402,997)	(22,430)	(509,495)	(30,708)
Net sales	2	2,730	2,749	4,047	5,506
Other operating income	3	2,900	731	7,237	735
Selling and distribution costs		(174)	(2,358)	(571)	(3,813)
Administrative expenses		(13,077)	(17,466)	(19,277)	(21,561)
Share based payment	4	(13,232)	—	(30,478)	—
Operating loss	5	(20,853)	(16,344)	(39,042)	(19,133)
Finance costs	7	(12,151)	(9,599)	(24,411)	(10,751)
Loss before income tax		(33,004)	(25,943)	(63,453)	(29,884)
Income tax expense	8	(48)	—	(92)	—
Loss from continuing operation for the period		(33,052)	(25,943)	(63,545)	(29,884)
Gain on disposal of subsidiaries less loss from discontinued operation for the period		(57)	—	1,972	—
Loss for the period		(33,109)	(25,943)	(61,573)	(29,884)
Other comprehensive income, including reclassification adjustments					
Exchange gain on translation of financial statements of foreign operations		29,962	375	30,832	449
Other comprehensive income, net of tax		29,962	375	30,832	449
Total comprehensive income for the period		(3,147)	(25,568)	(30,741)	(29,435)
Loss for the period attributable to:					
Owners of the Company		(31,929)	(24,666)	(59,960)	(28,076)
Non-controlling interests		(1,180)	(1,277)	(1,613)	(1,808)
		(33,109)	(25,943)	(61,573)	(29,884)
Total comprehensive income attributable to:					
Owners of the Company		(12,154)	(24,387)	(39,608)	(27,753)
Non-controlling interests		9,007	(1,181)	8,867	(1,682)
		(3,147)	(25,568)	(30,741)	(29,435)
Basic loss per share for loss attributable to the owners of the Company during the period	10	HK(0.52) cent	HK(0.40) cent	HK(0.98) cent	HK(0.48) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2011 HK\$'000 (Unaudited)	As at 31 December 2010 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		38,515	36,577
Exploration and evaluation assets	11	2,157,825	2,114,385
Prepaid land lease payments		21,358	21,136
Goodwill	12	35,625	34,910
Deposits for acquisition of business		78,000	78,000
Advances to an acquiring business	13	180,517	141,503
		2,511,840	2,426,511
Current assets			
Inventories		25,941	8,686
Trade and bills receivables		18,807	8,074
Prepayments and other receivables		190,899	11,599
Derivative financial assets	14	44,354	44,354
Cash and cash equivalents		14,012	30,046
		294,013	102,759
Current liabilities			
Trade and bills payables		19,057	8,206
Other payables, accrued expenses and receipts in advance		210,108	28,309
Borrowings	15	6,920	11,148
		236,085	47,663
Net current assets		57,928	55,096
Total assets less current liabilities		2,569,768	2,481,607
Non-current liabilities			
Borrowings	15	272	266
Loans from ultimate holding company	16	330,018	283,851
Loan from a minority equity holder of a subsidiary	17	6,229	6,229
Convertible bonds	18	206,772	189,333
Deferred tax liabilities		734,304	719,584
		1,277,595	1,199,263
Net assets		1,292,173	1,282,344
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		6,128	6,126
Reserves		781,590	780,630
		787,718	786,756
Non-controlling interests		504,455	495,588
Total equity		1,292,173	1,282,344

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 June 2011

	Equity attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Share-based payment reserve HK\$'000	Translation reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Accumulated losses HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
2011										
At 1 January 2011	6,126	527,734	(327)	32,184	317,772	67,136	363,304	(527,173)	495,588	1,282,344
Exercise of share options	2	6,646	–	–	(1,449)	–	–	–	–	5,199
Equity settled share based transactions	–	–	–	–	30,478	–	–	–	–	30,478
Loan from ultimate holding company	–	–	–	4,566	–	–	–	–	–	4,566
Disposal of subsidiaries	–	–	327	–	–	–	–	–	–	327
Transaction with owners	2	6,646	327	4,566	29,029	–	–	–	–	40,570
Loss for the period	–	–	–	–	–	–	–	(59,960)	(1,613)	(61,573)
Other comprehensive income										
Currency translation	–	–	–	–	–	20,352	–	–	10,480	30,832
Total comprehensive income	–	–	–	–	–	20,352	–	(59,960)	8,867	(30,741)
At 30 June 2011	6,128	534,380	–	36,750	346,801	87,488	363,304	(587,133)	504,455	1,292,173
2010										
At 1 January 2010	5,513	44,511	(327)	5,848	3,537	72	–	(82,495)	16,470	(6,871)
Issue of shares	600	447,120	–	–	–	–	–	–	–	447,720
Exercise of share options	1	1,585	–	–	(190)	–	–	–	–	1,396
Issue of convertible notes	–	–	–	–	–	–	363,304	–	–	363,304
Employee share-based compensation	–	–	–	–	10,731	–	–	–	–	10,731
Obtaining control of subsidiary	–	–	–	–	–	(161)	–	–	448,466	448,305
Transactions with owners	601	448,705	–	–	10,541	(161)	363,304	–	448,466	1,271,456
Loss for the period	–	–	–	–	–	–	–	(28,076)	(1,808)	(29,884)
Other comprehensive income										
Currency translation	–	–	–	–	–	323	–	–	126	449
Total comprehensive income	–	–	–	–	–	323	–	(28,076)	(1,682)	(29,435)
At 30 June 2010	6,114	493,216	(327)	5,848	14,078	234	363,304	(110,571)	463,254	1,235,150

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Net cash used in operating activities	(10,818)	(13,782)
Net cash used in investing activities	(49,750)	(100,456)
Net cash generated from financing activities	24,182	125,869
Net (decrease)/increase in cash and cash equivalents	(36,386)	11,631
Cash and cash equivalents, at beginning of period	30,046	16,240
Effect of foreign exchange rate changes	20,352	162
Cash and cash equivalents, at end of period	14,012	28,033
Analysis of the balance of cash and cash equivalents		
Cash at banks and in hand	14,012	28,033

Notes:

1. BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months and six months ended 30 June 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. GROSS SALES/NET SALES

Gross sales represents total invoiced value of goods supplied and income from provision of services.

Net sales represents gross sales less cost of sales.

3. OTHER OPERATING INCOME

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Bank Interest income	17	—
Imputed interest on advances to an acquiring business	3,928	—
Sundry income	3,292	735
	7,237	735

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

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Operating loss is arrived at after charging/(crediting):		
Cost of inventories recognised as expense	509,495	24,523
Share-based payment expenses	30,478	—
Depreciation and amortisation	1,321	2,479
Gain on disposal of subsidiaries	(1,972)	—

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 service in Hong Kong, Mainland China and South America.

The Company is an investment holding company and the principal places of the Group's operation in service are Hong Kong, Mainland China and South America. For the purpose of segment information disclosures under HKFRS 8, the Group regarded service in Hong Kong, Mainland China and South America as its places of domicile.

Information regarding the Group's reportable segments provided to the Group's most senior management is set out below:

Six months ended 30 June 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)	482,966	30,576	513,542	4,367	517,909
Reportable segment results	(4,718)	(462)	(5,180)	(1,240)	(6,420)
Reportable segment assets	2,407,836	85,723	2,493,559	6,884	2,500,443
Reportable segment liabilities	193,766	48,018	241,784	10,451	252,235
Capital expenditure	2,973	665	3,638	—	3,638
Depreciation and amortisation	165	1,135	1,300	21	1,321

6. SEGMENT INFORMATION – CONTINUED

Six months ended 30 June 2010

	Mineral resources exploration and trading HK\$'000	Silicon products HK\$'000	Publications HK\$'000	Total HK\$'000
Reportable segment revenue (external customers)	—	23,723	12,491	36,214
Reportable segment results	(1,772)	(3,012)	(400)	(5,184)
Reportable segment assets	1,986,879	80,281	10,330	2,077,490
Reportable segment liabilities	669,827	40,946	11,417	722,190
Capital expenditure	—	—	93	93
Interest income	—	15	153	168
Interest expense	6	348	—	354
Depreciation and amortisation	95	1,920	134	2,149

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

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Reportable segment results (continuing operation)	(5,180)	(5,184)
Other operating income	5,346	735
Administrative expenses	(9,062)	(15,038)
Share based payment	(30,478)	—
Gain on disposal of subsidiaries	1,972	—
Finance costs	(24,171)	(10,397)
	(61,573)	(29,884)

6. SEGMENT INFORMATION – CONTINUED

	As at 30 June 2011 HK\$'000 (Unaudited)	As at 31 December 2010 HK\$'000 (Audited)
Reportable segment assets (continuing operation)	2,493,559	2,253,595
Property, plant and equipment	321	408
Deposits for acquisition of a business	78,000	78,000
Advances to an acquisition business	180,517	141,503
Prepayments and other receivables	4,356	1,529
Derivative financial assets	44,354	44,354
Cash and cash equivalents	4,746	9,881
	2,805,853	2,529,270
Reportable segment liabilities (continuing operation)	241,784	52,471
Other payables, accrued expenses and receipts in advance	802	1,687
Convertible bonds	206,772	189,333
Loans from ultimate holding company	330,018	283,851
Deferred tax liabilities	734,304	719,584
	1,513,680	1,246,926

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

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenues from external customers		
Hong Kong (discontinued operation)	4,367	12,491
Mainland China (continuing operation)	513,542	23,723
Reportable segment revenue from external customers	517,909	36,214

6. SEGMENT INFORMATION – CONTINUED

	As at 30 June 2011 HK\$'000 (Unaudited)	As at 31 December 2010 HK\$'000 (Audited)
Non-current assets		
Hong Kong	258,838	172
Mainland China	57,506	56,885
South America	2,195,496	2,149,543
Reportable segment non-current assets (continuing operation)	2,511,840	2,206,600

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the asset.

7. FINANCE COSTS

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Interest charges on other borrowings wholly repayable within five years	240	637
Imputed interest on convertible bonds	17,438	8,065
Imputed interest on loans from ultimate holding company	6,733	2,049
	24,411	10,751

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 and six months ended 30 June 2011 (three months and six months ended 30 June 2010: Nil).

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.

9. DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

10. LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2011 are based on the loss attributable to the owners of the Company of HK\$31,929,000 and HK\$59,960,000 respectively (three months and six months ended 30 June 2010: HK\$24,666,000 and HK\$28,076,000 respectively) and on the weighted average of approximately 6,126,754,881 shares and 6,126,339,606 in issue for the three months and six months ended 30 June 2011 respectively (three months and six months ended 30 June 2010: 6,113,883,716 shares and 5,841,854,722 shares in issue).

No diluted loss per share for the three months and six months ended 30 June 2011 have been presented because the outstanding share options and convertible notes had an anti-dilutive effect.

11. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. Exploration and evaluation assets acquired in a business combination are initially recognised at fair value. They are subsequently stated at cost less accumulated impairment.

When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to tangible or intangible assets according to the nature of the exploration and evaluation assets. If any project is abandoned during the exploration and evaluation stage, the related exploration and evaluation assets thereon will be written off to profit or loss.

12. 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.

13. ADVANCES TO AN ACQUIRING BUSINESS

Advances to an acquiring business are unsecured, interest-free and repayable on the business day immediately following the date when the acquisition of the business is completed. The advances shall be used exclusively for the purposes of completing the mineral resources exploration work of the acquiring business.

14. DERIVATIVE FINANCIAL ASSETS

Derivative financial assets are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

15. BORROWINGS

	Notes	Original currency	As at 30 June 2011 HK\$'000 (Unaudited)	As at 31 December 2010 HK\$'000 (Audited)
Non-current				
Government loans — unsecured	(i)	RMB	272	266
Current				
Government loans — unsecured	(i)	RMB	2,253	2,202
Bank loans — unsecured	(ii)	RMB	3,607	5,876
Other loans — unsecured	(iii)	RMB	1,060	3,070
			6,920	11,148
Total borrowings			7,192	11,414

Notes:

- (i) Government loans comprise an interest free loan of RMB1,100,000 (approximately HK\$1,323,000) (the "Government Interest Free Loan") granted by the local government of the PRC. The local government of the PRC agreed to waive the repayment of the Government Interest Free Loan on the conditions that the projects in the local county satisfied the requirements set by the local government. Other government loans of RMB1,000,000 (approximately HK\$1,202,000) are unsecured and interest-free.
- (ii) Bank loan was guaranteed by 濟寧市天翔機械制造有限公司. The Group has not recognised the financial impact in respect of this guarantee as its fair value cannot be reliably measured and no transaction price was recorded. The interest rate of bank loans is 5.75% (2010: 5.75%) per month.
- (iii) Other loans are unsecured and bear floating interest rate which is based on the monthly interest rate of The People's Bank of China.
- (iv) The Group provided guarantee of approximately RMB3,000,000 (approximately HK\$3,607,000) to the bank in connection with banking facilities granted by the bank to 濟寧市天翔機械制造有限公司 and no provision for the Group's obligation under the guarantee contract has been made as the directors considered that it was not probable that the repayment of this borrowing would be in default.

16. LOANS FROM ULTIMATE HOLDING COMPANY

The loans are unsecured and not repayable within three years from the drawdown dates. 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. The ultimate holding company does not demand repayment of the loans from the Company with at least 12 months from the financial statements approval date.

17. LOAN FROM A MINORITY EQUITY HOLDER OF A SUBSIDIARY

The loan is unsecured interest-free and repayable in the amount of HK\$6,800,000 on 21 October 2012.

18. CONVERTIBLE BONDS

The convertible bonds were issued on 24 March 2010. The bonds were convertible into ordinary shares of the Company after two years from the date of issue of the bonds and before the maturity date on 23 March 2015. The bonds can be converted into 400,000,000 ordinary shares of the Company.

The convertible bonds are interest-free and not redeemable by the bondholder but the Company has the sole and absolute discretion on redemption.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2011, the Group's turnover increased 13.2 times to HK\$513.5 million compared to the same period in prior year, which was mainly attributable to trading of iron and steel and mineral resources commenced during the period that contributed HK\$483.0 million revenue to the Group. The mineral resources trading business recorded a loss of HK\$4.7 million during the period.

Our silicon business achieved a turnover of HK\$30.6 million, representing an increase of 29% compared to the same period in 2010. Segment loss for the period decreased by 85% to HK\$0.5 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 65% decrease compared to the same period in 2010. Publication segment recorded a loss of HK\$1.2 million as compared to HK\$0.4 million in 2010 which was not comparable since the publication business was discontinued on 31 March 2011.

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

Liquidity and Financial Resources

During the six months ended 30 June 2011, the Group's operation was mainly financed by the internal financial resources and the substantial shareholder of the Group.

As at 30 June 2011, the Group had net current assets of HK\$57.9 million (31 December 2010: HK\$55.1 million). Current assets comprised bank balances and cash of HK\$14.0 million, inventories of HK\$25.9 million, trade and bills receivables of HK\$18.8 million, prepayments and other receivables of HK\$190.9 million and derivative financial assets of HK\$44.3 million. Current liabilities comprised trade and bills payables of HK\$19.0 million, other payables, accrued expenses and receipts in advance of HK\$210.1 million and borrowings of HK\$6.9 million.

As at 30 June 2011, the gearing ratio of the Group which is measured by total borrowings to total equity was 0.27 (31 December 2010: 0.24).

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 30 June 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 30 June 2011, the Group did not have any significant contingent liabilities.

Progress of Exploration Activities

During the six months ended 30 June 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. The Company has released USD10 million deposit and paid USD420,000 for the advance completion of the Resource Confirmation to Lit Mining.

All beneficiation tests of Block 8 from Run-of-Mine to 65% iron concentrate have been completed. The economic assessment of the best processing route is undergoing.

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

The Company has accumulately disbursed USD25.07 million to SAM for its pre-feasibility study. The Company estimated that the capital expenditure of SAM is approximately USD110 million from present to obtaining approval licenses.

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, through its wholly owned subsidiary established in Shanghai, Hongying Trading, the Group has developed 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 to develop the minerals trading business. 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 30 June 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	67.18
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

Notes:

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 six months ended 30 June 2011 were as follows:

Name or category of participant	Number of share options						Date of grant of share options (Note a)	Exercise period of share option	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	Outstanding as at 30/6/2011					
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	–	(2,000,000)	–	(6,000,000)	13,000,000	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	–	(2,000,000)	–	(6,000,000)	437,240,000					

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	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.

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 30 June 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 30 June 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	Interests of spouse	Interest of controlled corporation		
Hong Bridge	4,095,000,000 (Note 1)	—	—	4,095,000,000	66.83
HE Yuechu (Note 2)	—	21,816,000	4,095,000,000 (Note 1)	4,116,816,000	67.18
FOO Yatyan (Note 2)	21,816,000	4,095,000,000	—	4,116,816,000	67.18
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

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 30 June 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 six months ended 30 June 2011, there was no conversion of the Company's outstanding convertible bonds.

CONNECTED TRANSACTIONS

As at 30 June 2011, Hong Bridge Capital Limited, the ultimate holding company of the Company, provided loans aggregating HK\$348,800,000 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 six months ended 30 June 2011, the Group sold HK\$139,002,000 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 for the period from 1 January 2011 to 31 March 2011. Since the Group has disposed the publication business on 31 March 2011, Mr. Fok has ceased to have competing interest with 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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 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, 14 August 2011