



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



Third 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 and nine months ended 30 September 2011, together with the comparative unaudited figures for the corresponding periods in 2010, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Gross sales	2	318,867	14,277	832,409	50,491
Cost of sales		(318,739)	(13,418)	(828,234)	(44,126)
Net sales	2	128	859	4,175	6,365
Other operating income	3	3,829	1,472	11,066	2,207
Selling and distribution costs		(213)	(1,623)	(784)	(5,436)
Administrative expenses		(5,967)	(23,037)	(25,244)	(44,598)
Share based payment	4	(11,425)	—	(41,903)	—
Operating loss	5	(13,648)	(22,329)	(52,690)	(41,462)
Finance costs	7	(14,042)	(8,638)	(38,453)	(19,389)
Loss before income tax		(27,690)	(30,967)	(91,143)	(60,851)
Income tax expense	8	(13)	—	(105)	—
Loss from continuing operation for the period		(27,703)	(30,967)	(91,248)	(60,851)
Gain on disposal of subsidiaries less loss from discontinued operation for the period		—	—	1,972	—
Loss for the period		(27,703)	(30,967)	(89,276)	(60,851)
Other comprehensive income, including reclassification adjustments					
Exchange gain on translation of financial statements of foreign operations		(1,047)	1,477	29,785	1,926
Total comprehensive income for the period		(28,750)	(29,490)	(59,491)	(58,925)
Loss for the period attributable to:					
Owners of the Company		(27,487)	(29,594)	(87,447)	(57,670)
Non-controlling interests		(216)	(1,373)	(1,829)	(3,181)
		(27,703)	(30,967)	(89,276)	(60,851)
Total comprehensive income for the period attributable to:					
Owners of the Company		(28,176)	(28,645)	(67,784)	(56,398)
Non-controlling interests		(574)	(845)	8,293	(2,527)
		(28,750)	(29,490)	(59,491)	(58,925)
Basic loss per share loss attributable to the owners of the Company during the period	10	HK(0.45) cent	HK(0.48) cent	HK(1.43) cent	HK(0.97) cent

Notes:

1. BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months and nine months ended 30 September 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

	Nine months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
Bank Interest income	19	—
Imputed interest on advances to an acquiring business	6,133	2,183
Proceed from disposal of materials	3,886	—
Sundry income	1,028	24
	11,066	2,207

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

	Nine months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Operating loss is arrived at after charging/(crediting):		
Cost of inventories recognised as expense	828,234	44,126
Share-based payment expenses	41,903	—
Depreciation and amortisation	2,362	3,153
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:

Nine months ended 30 September 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)	787,028	45,381	832,409	4,367	836,776
Reportable segment results	(3,810)	(1,265)	(5,075)	(1,240)	(6,315)
Reportable segment assets	2,384,371	79,477	2,463,848	6,884	2,470,732
Reportable segment liabilities	178,281	41,568	219,849	10,451	230,300
Capital expenditure	3,949	818	4,767	—	4,767
Depreciation and amortisation	295	2,046	2,341	21	2,362

6. SEGMENT INFORMATION – CONTINUED

Nine months ended 30 September 2010

	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)	—	33,044	33,044	17,447	50,491
Reportable segment results	(3,018)	(5,387)	(8,405)	(1,561)	(9,966)
Reportable segment assets	1,986,720	76,650	2,063,370	6,708	2,070,078
Reportable segment liabilities	669,868	33,325	703,193	8,956	712,149
Capital expenditure	—	—	—	—	—
Depreciation and amortisation	122	2,874	2,996	157	3,153

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:

	Nine months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Reportable segment results (continuing operation)	(5,075)	(8,405)
Other operating income	11,066	2,207
Administrative expenses	(17,002)	(6,904)
Share based payment	(41,903)	(28,360)
Gain on disposal of subsidiaries	1,972	—
Finance costs	(38,334)	(19,389)
	(89,276)	(60,851)

6. SEGMENT INFORMATION – CONTINUED

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

	Nine months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenues from external customers		
Hong Kong (discontinued operation)	4,367	17,447
Mainland China (continuing operation)	832,409	33,044
Reportable segment revenue from external customers	836,776	50,491

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

7. FINANCE COSTS

	Nine months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
Interest charges on other borrowings wholly repayable within five years	119	677
Imputed interest on convertible bonds	26,753	15,549
Imputed interest on loans from ultimate holding company	11,581	3,163
	38,453	19,389

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 nine months ended 30 September 2011 (three months and nine months ended 30 September 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 nine months ended 30 September 2011 (nine months ended 30 September 2010: Nil).

10. LOSS PER SHARE

The calculation of basic loss per share for the three months and nine months ended 30 September 2011 are based on the loss attributable to the owners of the Company of HK\$27,487,000 and HK\$87,447,000 (three months and nine months ended 30 September 2010: loss of HK\$29,594,000 and HK\$57,670,000) and on the weighted average number of 6,140,322,614 and 6,131,051,828 shares in issue (three months and nine months ended 30 September 2010: weighted average number of 6,113,883,716 and 5,933,527,496 shares in issue respectively).

For the three months and nine months ended 30 September 2011, no diluted loss per share has been presented because the outstanding share options had an anti-dilutive effect.

11. MOVEMENT OF RESERVES

	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
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
Issue of new shares	52	77,748	—	—	—	—	—	—	—	77,800
Employee share-based compensation	—	—	—	—	41,903	—	—	—	—	41,903
Loan from ultimate holding company	—	—	—	4,566	—	—	—	—	—	4,566
Disposal of subsidiaries	—	—	327	—	—	—	—	—	—	327
Transactions with owners	54	84,394	327	4,566	40,454	—	—	—	—	129,795
Loss for the period	—	—	—	—	—	—	—	(87,447)	(1,829)	(89,276)
Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Currency translation	—	—	—	—	—	19,663	—	—	10,122	29,785
Total comprehensive income	—	—	—	—	—	19,663	—	(87,447)	8,293	(59,491)
At 30 September 2011	6,180	612,128	—	36,750	358,226	86,799	363,304	(614,620)	503,881	1,352,648

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the nine months ended 30 September 2011, the Group's turnover increased 16.5 times to HK\$832.4 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\$787.0 million revenue to the Group. The mineral resources trading business recorded a loss of HK\$3.8 million during the period.

Our silicon business achieved a turnover of HK\$45.4 million, representing an increase of 37% compared to the same period in 2010. Segment loss for the period decreased by 77% to HK\$1.3 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 75% decrease compared to the same period in 2010. Publication segment recorded a loss of HK\$1.2 million as compared to HK\$1.6 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 nine months ended 30 September 2011, the Group's operation was mainly financed by the internal financial resources and the substantial shareholder of the Group.

As at 30 September 2011, the Group had net current assets of HK\$87.9 million (31 December 2010: HK\$55.1 million). Current assets comprised bank balances and cash of HK\$42.3 million, inventories of HK\$24.4 million, trade and bills receivables of HK\$21.3 million, prepayments and other receivables of HK\$248.9 million and derivative financial assets of HK\$44.4 million. Current liabilities comprised trade and bills payables of HK\$19.1 million, other payables, accrued expenses and receipts in advance of HK\$268.3 million and borrowings of HK\$6.0 million.

As at 30 September 2011, the gearing ratio of the Group which is measured by total borrowings to total equity was 0.20 (31 December 2010: 0.24).

Issue of New Shares

Pursuant to a subscription agreement entered into between the Company and Zhe Shuang Investment Holdings Group Ltd. (the "Subscriber") dated 19 May 2011, on 9 September 2011 the Company issued 51,866,666 new ordinary shares at HK\$1.50 per share of the Company to the Subscriber for a total consideration of HK\$77,800,000. At the date of this report, the subscription agreement has not been completed. For details, please refer to the Company's latest announcements.

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

Progress of Exploration Activities

During the nine months ended 30 September 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.

The Company has accumulately disbursed USD27.07 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.

The latest geological mapping of Block 8 and Block 7 indicated additional potential resources of 10 mts and 1,000 mts respectively. Such estimated additional resources have not been assessed under JORC standard.

All beneficiation laboratory tests as well as SAG (Semi-Autogeneous Milling), and HPRG (High Pressure Rolling Grinding) of Block 8 from Run-of-Mine to 65% iron concentrate have been completed. The economic assessment of the best processing route is undergoing. Samples of 46 tonnes for the pilot test are ready.

The environmental impact studies relating to the exploitation and beneficiation and the preliminary engineering design is progressing in accordance with original schedule.

90% of the slurry pipeline topography has been completed. The length of the pipeline may reduce 10 km from the original estimated 490 km.

SAM is in discussion with local government on operational mode of the mixed TUP private port. The environmental impact studies have been accepted by Brazilian government IBAMA, which is a major progress in obtaining the port construction approval.

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, 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.

Shanghai Hongying Trading has registered in the regulatory department in China to become an import and export trading business Renminbi cross border trading pilot enterprise.

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 September 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	—	22,460,000	4,065,000,000 ¹	—	4,087,460,000	66.14
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	60,000,000	0.97
ANG Siu Lun, Lawrance	—	—	—	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 4,065,000,000 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

Share Option Scheme

The Company's existing share option scheme (the "Scheme") was adopted on 20 December 2001 and became effective on 8 January 2002. Particulars and movements of the outstanding share options granted under the Scheme during period for the nine months ended 30 September 2011 (the "Period") were as follows:

Name or category of participant	Number of share options						Outstanding as at 30/09/2011	Date of grant of share options (Note a)	Exercise period of share options	Exercise price per share option HK\$	Price immediately preceding the grant of share options (Note b) HK\$	Price immediately preceding the exercise date of share options (Note c) 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 30/09/2011						
Director												
LIU Wei, William	10,000,000	–	–	–	–	10,000,000	22/11/2007	22/05/2008–21/10/2012	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	22/05/2008–21/10/2012	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	20,000,000	104,000,000	–	–	–	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	3.00	
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

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.

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

- (b) The price of the Shares disclosed as immediately preceding the grant date of share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options.
- (c) The weighted average closing price of the Shares immediately before the date on which the options were exercised.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 September 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 September 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	Approximate percentage of shareholding (%)
	Beneficial owner	Interest of spouse	Interest of controlled corporation		
Hong Bridge	4,065,000,000 (Note 1)	—	—	4,065,000,000	65.78
HE Xuechu	—	22,460,000	4,065,000,000 (Note 1)	4,087,460,000	66.14
FOO Yatyan (Note 2)	22,460,000	4,065,000,000	—	4,087,460,000	66.14
Brilliant People Limited	1,000,000,000 (Note 3)	—	—	1,000,000,000	16.18
Xin Wen Mining Group Company Limited	300,000,000 (Note 4)	—	10,000,000	310,000,000	5.02

Notes:

1. The 4,065,000,000 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 September 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.

DIRECTORS' AND MANAGEMENT SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Mr. FOK Hon, an Independent Non-executive Director of the Company, is also the executive director of All Leaders Publication Group Limited. Since All Leaders Publication Group Limited is engaged in the media and publication business. Mr. FOK is regarded as interested in such competing business of the Group 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 liability 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 is 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 nine months ended 30 September 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 nine months ended 30 September 2011.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules for Directors.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the nine months ended 30 September 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 and nine months ended 30 September 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

Save for disclosed, during the nine months ended 30 September 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, 31 October 2011