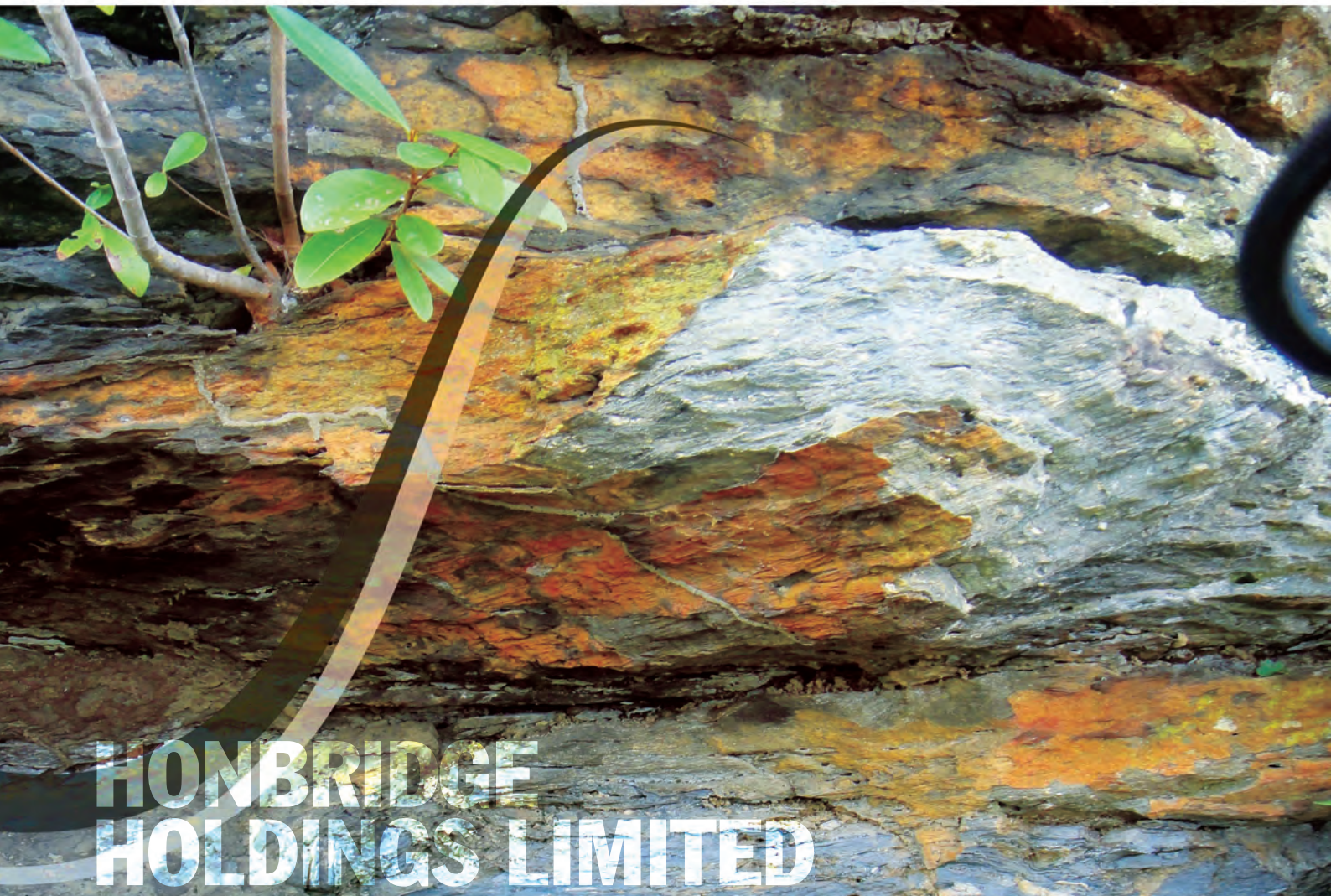




HONBRIDGE HOLDINGS LIMITED

洪橋集團有限公司

(Stock Code: 8137)



**HONBRIDGE  
HOLDINGS LIMITED**



**2012**

**First Quarterly Report**





## 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 2012, together with the comparative unaudited figures for the corresponding period in 2011, as follows:

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED**

|  | Notes | Three months ended<br>31 March |                  |
|--|-------|--------------------------------|------------------|
|  |       | 2012<br>HK\$'000               | 2011<br>HK\$'000 |
| Revenue  | 2     | 646,351                        | 107,815          |
| Direct operating expenses  |       | (645,561)                      | (106,498)        |
| Other operating income   | 3     | 4,224                          | 4,337            |
| Selling and distribution costs   |       | (43)                           | (397)            |
| Administrative expenses  |       | (7,298)                        | (6,200)          |
| Share based payment expenses   | 4     | (11,330)                       | (17,246)         |
| Operating loss   | 5     | (13,657)                       | (18,189)         |
| Finance costs  | 7     | (14,215)                       | (12,260)         |
| <b>Loss before income tax</b>  |       | <b>(27,872)</b>                | <b>(30,449)</b>  |
| Income tax expense   | 8     | (1)                            | (44)             |
| <b>Loss for the period</b>   |       | <b>(27,873)</b>                | <b>(28,464)</b>  |
| <b>Other comprehensive income,<br/>including reclassification adjustments</b>                        |       |                                |                  |
| Exchange gain on translation of financial statements of<br>foreign operations                        |       | 232                            | 870              |
| <b>Other comprehensive income, net of tax</b>  |       | <b>232</b>                     | <b>870</b>       |
| <b>Total comprehensive income for the period</b>   |       | <b>(27,641)</b>                | <b>(27,594)</b>  |
| <b>Loss for the period attributable to:</b>  |       |                                |                  |
| Owners of the Company  |       | (27,809)                       | (28,031)         |
| Non-controlling interests  |       | (64)                           | (433)            |
|  |       | <b>(27,873)</b>                | <b>(28,464)</b>  |
| <b>Total comprehensive income attributable to:</b>   |       |                                |                  |
| Owners of the Company  |       | (27,576)                       | (27,454)         |
| Non-controlling interests  |       | (65)                           | (140)            |
|  |       | <b>(27,641)</b>                | <b>(27,594)</b>  |
| <b>Basic loss per share for loss attributable<br/>to the owners of the Company during the period</b> | 10    | <b>HK(0.45) cent</b>           | HK(0.46) cent    |

Notes:

### 1. BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months ended 31 March 2012 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 2011 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 2011.

### 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<br>ended 31 March |                  |
|---|--|------------------|
|   | 2012<br>HK\$'000                       | 2011<br>HK\$'000 |
| Bank Interest income                                  | 3                                      | 122              |
| Imputed interest on advances to an acquiring business | 4,152                                  | 4,136            |
| Sundry income   | 69                                     | 79               |
|   | <b>4,224</b>                           | <b>4,337</b>     |

### 4. SHARE BASED PAYMENT EXPENSES

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

### 5. OPERATING LOSS

|  | For the three months<br>ended 31 March |                  |
|--|--|------------------|
|  | 2012<br>HK\$'000                       | 2011<br>HK\$'000 |
| Operating loss is arrived at after charging/(crediting): |  |                  |
| Cost of inventories recognised as expense                | 645,561                                | 90,349           |
| Share-based payment expenses                             | 11,330                                 | 17,246           |
| Depreciation   | 790                                    | 662              |

## 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 products and services in Hong Kong, Mainland China and Latin America.

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

### Three months ended 31 March 2012

|  | <b>Mineral<br/>resources<br/>exploration<br/>and trading<br/>HK\$'000</b> | <b>Silicon<br/>products<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|--|---|--|---------------------------|
| Reportable segment revenue<br>(external customers) | 641,589   | 4,762                                    | 646,351                   |
| Reportable segment results                         | (2,852)   | (970)                                    | (3,822)                   |
| Reportable segment assets                          | 1,594,109   | 72,390                                   | 1,666,499                 |
| Reportable segment liabilities                     | 1,136,197   | 46,819                                   | 1,183,016                 |
| Capital expenditure                                | —   | —  | —                         |
| Depreciation                                       | 243   | 547                                      | 790                       |

### Three months ended 31 March 2011

|  | Mineral<br>resources<br>exploration<br>and trading<br>HK\$'000 | Silicon<br>products<br>HK\$'000 | Total<br>continuing<br>operation<br>HK\$'000 | Publications<br>(discontinued)<br>HK\$'000 | Total<br>HK\$'000 |
|--|--|---------------------------------|--|--|-------------------|
| Reportable segment revenue<br>(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               |

## 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<br>ended 31 March |                 |
|----------------------------------|--|-----------------|
|                                  | 2012                                   | 2011            |
|                                  | HK\$'000                               | HK\$'000        |
| Reportable segment results       | (3,822)                                | (2,638)         |
| Other operating income           | 4,152                                  | 4,136           |
| Administrative expenses          | (2,858)                                | (2,485)         |
| Share based payment expenses     | (11,130)                               | (17,246)        |
| Gain on disposal of subsidiaries | —                                      | 2,029           |
| Finance costs                    | (14,215)                               | (12,260)        |
|                                  | <b>(27,873)</b>                        | <b>(28,464)</b> |

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

|  | For the three months<br>ended 31 March |                |
|--|--|----------------|
|  | 2012                                   | 2011           |
|  | HK\$'000                               | HK\$'000       |
| Revenues from external customers                   |  |                |
| Hong Kong  | —                                      | 4,367          |
| Mainland China                                     | 646,351                                | 107,815        |
| Reportable segment revenue from external customers | <b>646,351</b>                         | <b>112,182</b> |

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<br>ended 31 March |               |
|---|--|---------------|
|   | 2012                                   | 2011          |
|   | HK\$'000                               | HK\$'000      |
| Interest charges on other borrowings wholly repayable within five years | 296                                    | —             |
| Imputed interest on convertible bonds                                   | 10,175                                 | 8,527         |
| Imputed interest on loans from ultimate holding company                 | 3,744                                  | 3,733         |
|   | <b>14,215</b>                          | <b>12,260</b> |

## 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 2012 (three months ended 31 March 2011: 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 period 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 2012 (three months ended 31 March 2011: Nil).

## 10. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2012 is based on the loss attributable to the owners of the Company of HK\$27,809,000 (three months ended 31 March 2011: HK\$28,031,000) and on 6,205,679,716 weighted average number of shares (three months ended 31 March 2011: 6,125,919,716 shares).

No diluted loss per share for the three months ended 31 March 2012 and 31 March 2011 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<br>HK\$'000 | Share premium<br>HK\$'000 | Other reserve<br>HK\$'000 | Share based payment reserve<br>HK\$'000 | Translation reserve<br>HK\$'000 | Convertible bonds equity reserve<br>HK\$'000 | Accumulated losses<br>HK\$'000 | Non-controlling interest<br>HK\$'000 | Total equity<br>HK\$'000 |
|-----------------------------------|---------------------------|---------------------------|---------------------------|---|---------------------------------|--|--------------------------------|--------------------------------------|--------------------------|
| At 1 January 2012                 | 6,206                     | 651,041                   | 38,451                    | 365,042                                 | (37,977)                        | 363,304                                      | (828,870)                      | 360,419                              | 917,616                  |
| Employee share-based compensation | —                         | —                         | —                         | 11,330                                  | —                               | —  | —                              | —                                    | 11,330                   |
| Transactions with owners          | —                         | —                         | —                         | 11,330                                  | —                               | —  | —                              | —                                    | 11,330                   |
| Loss for the period               | —                         | —                         | —                         | —                                       | —                               | —  | (27,809)                       | (64)                                 | (27,873)                 |
| Other comprehensive income        | —                         | —                         | —                         | —                                       | 233                             | —  | —                              | (1)                                  | 232                      |
| Currency translation              | —                         | —                         | —                         | —                                       | 233                             | —  | —                              | (1)                                  | 232                      |
| Total comprehensive income        | —                         | —                         | —                         | —                                       | 233                             | —  | (27,809)                       | (65)                                 | (27,641)                 |
| At 31 March 2012                  | 6,206                     | 651,041                   | 38,451                    | 376,372                                 | (37,744)                        | 363,304                                      | (856,679)                      | 360,354                              | 901,305                  |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the three months ended 31 March 2012, the Group's turnover increased 6 times to HK\$646.4 million compared to the same period in prior year, which was mainly attributable to the substantial increase in trading of mineral resources that contributed HK\$641.6 million revenue to the Group. The mineral resources trading business recorded a loss of HK\$2.9 million during the period.

Our silicon business achieved a turnover of HK\$4.8 million, representing a decrease of 72% compared to the same period in 2011. Segment loss for the period increased by 232% to HK\$1.0 million, which was mainly due to the decrease in revenue. The decrease in revenue in 2012 was a result of cutting production in an attempt to keep the selling price in a worldwide flooded silicon market, following the strategy played by the largest Chinese silicon manufacturers.

### Liquidity and Financial Resources

During the three months ended 31 March 2012, the Group's operation was mainly financed by the internal financial resources and the substantial shareholder of the Group.

As at 31 March 2012, the Group had net current assets of HK\$17.9 million (31 December 2011: HK\$44.8 million). Current assets comprised bank balances and cash of HK\$9.3 million (31 December 2011: HK\$35.8 million), inventories of HK\$14.9 million (31 December 2011: HK\$17.9 million), trade and bills receivables of HK\$112.0 million (31 December 2011: HK\$262.1 million), prepayments and other receivables of HK\$502.7 million (31 December 2011: HK\$718.3 million) and derivative financial assets of HK\$11.3 million (31 December 2011: HK\$11.3 million). Current liabilities comprised trade and bills payables of HK\$139.4 million (31 December 2011: HK\$202.2 million), other payables, accrued expenses and receipts in advance of HK\$383.2 million (31 December 2011: HK\$701.9 million) and borrowings of HK\$109.7 million (31 December 2011: HK\$157.7 million).

The decrease in trade and bills receivables, and prepayments and other receivables totalled HK\$365.7 million are in line with the decrease in trade and bills payables, and other payables, accrued expenses and receipts in advance totalled HK\$381.5 million, which was result from the increase in settlement of accounts after the Chinese New Year in January 2012.

As at 31 March 2012, the gearing ratio of the Group which is measured by total borrowings to total equity was 0.45 (31 December 2011: 0.46).

### Capital Commitments

As at 31 March 2012, 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\$2,956,818,000). Other property, plant and equipment capital commitments amounted to approximately HK\$1,867,000.

### Contingent Liabilities

As at 31 March 2012, the Group did not have any significant contingent liabilities.

### Progress of Exploration Activities

During the three months ended 31 March 2012, except for the acquiring SAM Iron Mine, the Group has no exploration, development or mining production activities.



**Corporate Governance**

Throughout the three months ended 31 March 2012, the Company complied with all Code Provisions and, where appropriate, adopted the Recommended Best Practices as set out in Appendix 15 of the GEM Listing Rules.

The Corporate Governance Code, the new edition of the Code on Corporate Governance Practices, is applicable to the Company starting from 1 April 2012. As part of the Company's commitment to high standards of corporate governance, it has adopted all new Code Provisions and, where appropriate, relevant new Recommended Best Practices as set out in the new Corporate Governance Code.

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

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 metal trading business in China and other overseas markets.

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 other metal trading business will bring steady cashflow and good return to the Company in the future.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2012, 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 <sup>2</sup> |               |  |
| HE Xuechu             | —                               | 22,460,000         | 4,065,000,000 <sup>1</sup>         | —                                   | 4,087,460,000 | 65.76                                      |
| LIU Wei, William      | —                               | —                  | —                                  | 40,000,000                          | 40,000,000    | 0.64                                       |
| SHI Lixin             | —                               | —                  | —                                  | 30,000,000                          | 30,000,000    | 0.48                                       |
| YAN Weimin            | 30,000,000                      | —                  | —                                  | 30,000,000                          | 60,000,000    | 0.97                                       |
| 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 4,065,000,000 shares were held by Hong Bridge Capital Limited ("Hong Bridge"). Mr. HE Xuechu is the controlling shareholder and director holding 68% equity interest of Hong Bridge.
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 2012 were as follows:

| Name or category of participant        | Number of share options      |                           |                             |                          |                             | Outstanding as at 31/3/2012 | Date of grant of share options (Note a) | Exercise period of share options | Exercise price per share option (Note b)<br>HK\$ | Price immediately preceding the grant date of share options (Note c)<br>HK\$ | Price immediately preceding the exercise date of share options<br>HK\$ |
|--|------------------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|-----------------------------|---|----------------------------------|--|--|--|
|  | Outstanding as at 01/01/2012 | Granted during the period | Exercised during the period | Lapsed during the period | Cancelled during the period |                             |   |                                  |  |  |  |
| <b>Director</b>                        |                              |                           |                             |                          |                             |                             |   |                                  |  |  |  |
| LIU Wei, William                       | 10,000,000                   | —                         | —                           | —                        | —                           | 10,000,000                  | 22/11/2007                              | 22/05/2008 – 21/11/2012          | 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 – 21/11/2012          | 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                               | 13,000,000                   | —                         | —                           | —                        | —                           | 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                                  | 437,240,000                  | —                         | —                           | (240,000)                | —                           | 437,000,000                 |   |                                  |  |  |  |

## 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 |
|---|------------------------|
| In the first year                       | Nil                    |
| In the second year                      | 33 $\frac{1}{3}$ %     |
| In the third year                       | 33 $\frac{1}{3}$ %     |
| After the third year                    | 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 option granted on 6 May 2010 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 |
|---|------------------------|
| In the first year                       | Nil                    |
| In the second year                      | 25%                    |
| After the second year                   | 75%                    |

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 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 2012, 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 2012, 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              | 4,065,000,000<br>(Note 1)       | —                  | —                                   | 4,065,000,000               | 65.40                                      |
| HE Xuechu (Note 2)       | —                               | 22,460,000         | 4,065,000,000<br>(Note 1)           | 4,087,460,000               | 65.76                                      |
| FOO Yatyan (Note 2)      | 22,460,000                      | 4,065,000,000      | —                                   | 4,087,460,000               | 65.76                                      |
| LI Xing Xing             | —                               | —                  | 4,065,000,000<br>(Note 3)           | 4,065,000,000               | 65.40                                      |
| Brilliant People Limited | 1,000,000,000<br>(Note 4)       | —                  | —                                   | 1,000,000,000               | 16.09                                      |

Notes:

1. The 4,065,000,000 shares were held by Hong Bridge. Mr. HE Xuechu is the controlling shareholder and director holding 68% equity interest of Hong Bridge.
2. Ms. FOO Yatyan is the spouse of Mr. HE Xuechu.
3. Mr. LI Xing Xing holds 32% equity interest of Hong Bridge.
4. 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.

Save as disclosed above, as at 31 March 2012, 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 2012, there was no conversion of the Company's outstanding convertible bonds.

### CONNECTED TRANSACTIONS

For the three months ended 31 March 2012, the Group has sold approximately HK\$57.5 million of steel products to Shanghai Yingyue Industrial Co. Ltd., a company connected with a non-executive director of the Company, Mr. YAN Weimin. The transactions are determined at arm's length and have been pre-approved by the shareholders of the Company at the extra-ordinary meeting on 23 November 2010.

For the three months ended 31 March 2012, the Group has imputed interest on loans from ultimate holding company of approximately HK\$14.2 million, and imputed interest on loan from a minority equity holder of a subsidiary of HK\$75,000.

As at 31 March 2012, Hong Bridge Capital Limited, the ultimate holding company of the Company, provided loans aggregating HK\$309.2 million 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.

### DIRECTORS' AND MANAGEMENT SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

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 2012.

### 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 2012.

### 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 2012.

### 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 2012 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.

### REMUNERATION COMMITTEE

Remuneration Committee was set up on 23 March 2005. Current Committee members are Mr. FOK Hon (Chairman of the Committee), Mr. MA Gang, Mr. CHAN Chun Wai, Tony, Mr. HE Xuechu and Mr. LIU Wei, William. The Committee meets at least once every year. Additional meetings shall be held as the work of the Committee demands. The Committee formulates remuneration policy for approval by the Board, which takes into consideration factors such as salaries paid by comparable companies, employment conditions, and responsibilities, and individual performance of the directors, senior management, and the general staff. Performance is measured against corporate goals and objectives resolved by the Board from time to time; and implement the remuneration laid down by the Board.

### NOMINATION COMMITTEE

Nomination Committee was set up on 28 March 2012. Current Committee members are Mr. CHAN Chun Wai, Tony (Chairman of the Committee), Mr. LIU Wei, William, Mr. ANG Siu Lun Lawrence, Mr. FOK Hon and Mr. MA Gang. The Committee meets at least once every year. Additional meetings shall be held as the work of the Committee demands. The Committee formulates nomination policy for the Board's consideration and implement the Board's approved nomination policy.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the three months ended 31 March 2012, 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, 11 May 2012