



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



HONBRIDGE
HOLDINGS LIMITED



2012

Half Year Report



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 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 30 June		Six months ended 30 June	
		2012	2011	2012	2011
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gross sales	2	624,690	405,727	1,271,041	513,542
Cost of sales		(623,460)	(402,997)	(1,269,021)	(509,495)
Net sales	2	1,230	2,730	2,020	4,047
Other operating income	3	5,103	2,900	9,327	7,237
Selling and distribution costs		(41)	(174)	(84)	(571)
Administrative expenses		(7,276)	(13,077)	(14,574)	(19,277)
Share based payment	4	(13,781)	(13,232)	(25,111)	(30,478)
Operating loss	5	(14,765)	(20,853)	(28,422)	(39,042)
Finance costs	7	(14,996)	(12,151)	(29,211)	(24,411)
Loss before income tax		(29,761)	(33,004)	(57,633)	(63,453)
Income tax expense	8	(255)	(48)	(256)	(92)
Loss from continuing operation for the period		(30,016)	(33,052)	(57,889)	(63,545)
Gain on disposal of subsidiaries less loss from discontinued operation for the period		—	(57)	—	1,972
Loss for the period		(30,016)	(33,109)	(57,889)	(61,573)
Other comprehensive income, including reclassification adjustments					
Exchange gain on translation of financial statements of foreign operations		(1,324)	29,962	(1,092)	30,832
Other comprehensive income, net of tax		(1,324)	29,962	(1,092)	30,832
Total comprehensive income for the period		(31,340)	(3,147)	(58,981)	(30,741)
Loss for the period attributable to:					
Owners of the Company		(29,988)	(31,929)	(57,797)	(59,960)
Non-controlling interests		(28)	(1,180)	(92)	(1,613)
		(30,016)	(33,109)	(57,889)	(61,573)
Total comprehensive income attributable to:					
Owners of the Company		(31,312)	(12,154)	(58,888)	(39,608)
Non-controlling interests		(28)	9,007	(93)	8,867
		(31,340)	(3,147)	(58,981)	(30,741)
Basic loss per share for loss attributable to the owners of the Company during the period	10	HK(0.48) cent	HK(0.52) cent	HK(0.93) cent	HK(0.98) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2012 HK\$'000 (Unaudited)	As at 31 December 2011 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		25,246	26,757
Exploration and evaluation assets	11	1,581,000	1,581,000
Prepaid land lease payments		21,386	21,700
Deposits for acquisition of business		81,265	81,265
Loans to an acquiring business	13	265,197	219,808
		1,974,094	1,930,530
Current assets			
Inventories		12,619	17,918
Trade and bills receivables		65,688	262,138
Prepayments and other receivables		355,560	718,342
Derivative financial assets	14	11,295	11,295
Restricted bank deposits		—	37,498
Cash and cash equivalents		6,571	35,838
		451,733	1,083,029
Current liabilities			
Trade and bills payables		139,079	202,207
Other payables, accrued expenses and receipts in advance		236,902	701,917
Borrowings	15	59,593	157,678
Loan from a minority equity holder of a subsidiary	17	6,541	6,541
		442,115	1,068,343
Net current assets		9,618	14,686
Total assets less current liabilities		1,983,712	1,945,216
Non-current liabilities			
Loans from ultimate holding company	16	313,946	262,390
Convertible bonds	18	247,295	226,485
Deferred tax liabilities		538,725	538,725
		1,099,966	1,027,600
Net assets		883,746	917,616
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		6,206	6,206
Reserves		517,214	550,991
		523,420	557,197
Non-controlling interests		360,326	360,419
Total equity		883,746	917,616

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

For the six months ended 30 June 2012

	Equity attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Other reserve	Share-based payment reserve	Translation reserve	Convertible bonds		Non-controlling interest	Total equity
							equity reserve	Accumulated losses		
							HKS'000	HKS'000		
2012										
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	—	—	—	—	25,111	—	—	—	—	25,111
Transactions with owners	—	—	—	—	25,111	—	—	—	—	25,111
Loss for the period	—	—	—	—	—	—	—	(57,797)	(92)	(57,889)
Other comprehensive income										
Currency translation	—	—	—	—	—	(1,091)	—	—	(1)	(1,092)
Total comprehensive income	—	—	—	—	—	(1,091)	—	(57,797)	(93)	(58,981)
At 30 June 2012	6,206	651,041	—	38,451	390,153	(39,068)	363,304	(886,667)	360,326	883,746
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Net cash generated from/(used in) operating activities	46,100	(10,818)
Net cash used in investing activities	(36,386)	(49,750)
Net cash (used in)/generated from financing activities	(37,890)	24,182
Net decrease in cash and cash equivalents	(28,176)	(36,386)
Cash and cash equivalents, at beginning of period	35,838	30,046
Effect of foreign exchange rate changes	(1,091)	20,352
Cash and cash equivalents, at end of period	6,571	14,012
Analysis of the balance of cash and cash equivalents		
Cash at banks and in hand	6,571	14,012

Notes:

1. BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months and six months ended 30 June 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. 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	
	2012	2011
	HK\$'000	HK\$'000
Bank Interest income	69	17
Imputed interest on loans to an acquiring business	9,003	3,928
Sundry income	165	3,292
	9,327	7,237

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	
	2012	2011
	HK\$'000	HK\$'000
Operating loss is arrived at after charging/(crediting):		
Cost of inventories recognised as expense	1,269,021	509,495
Share-based payment expenses	25,111	30,478
Depreciation and amortisation	1,924	1,321
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.

6. SEGMENT INFORMATION — CONTINUED

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

Six months ended 30 June 2012

	Mineral resources exploration and trading HK\$'000	Silicon products HK\$'000	Total HK\$'000
Reportable segment revenue (external customers)	1,263,837	7,204	1,271,041
Reportable segment results	(4,417)	(1,636)	(6,053)
Reportable segment assets	1,992,880	69,866	2,062,746
Reportable segment liabilities	395,558	44,928	440,486
Capital expenditure	—	274	274
Depreciation and amortisation	304	1,357	1,661

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

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	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Reportable segment results	(6,053)	(5,180)
Other operating income	9,003	5,346
Administrative expenses	(6,869)	(9,062)
Share based payment	(25,111)	(30,478)
Gain on disposal of subsidiaries	—	1,972
Finance costs	(28,859)	(24,171)
	(57,889)	(61,573)

	As at	As at
	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Reportable segment assets	2,062,746	2,695,760
Property, plant and equipment	97	209
Deposits for acquisition of a business	81,265	81,265
Loans to an acquiring business	265,197	219,808
Prepayments and other receivables	1,940	2,270
Derivative financial assets	11,295	11,295
Cash and cash equivalents	3,287	2,952
	2,425,827	3,013,559
Reportable segment liabilities	440,486	1,067,003
Other payables, accrued expenses and receipts in advance	1,629	1,340
Convertible bonds	247,295	226,485
Loans from ultimate holding company	313,946	262,390
Deferred tax liabilities	538,725	538,725
	1,542,081	2,095,943

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:

	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenues from external customers		
Hong Kong (discontinued publication business)	—	4,367
Mainland China	1,271,041	513,542
Reportable segment revenue from external customers	1,271,041	517,909
	As at 30 June 2012 HK\$'000 (Unaudited)	As at 31 December 2011 HK\$'000 (Audited)
Non-current assets		
Hong Kong	343,295	301,281
Mainland China	46,123	47,768
Latin America	1,584,676	1,581,481
Reportable segment non-current assets	1,974,094	1,930,530

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	
	2012 HK\$'000	2011 HK\$'000
Interest charges on other borrowings wholly repayable within five years	202	90
Imputed interest on convertible bonds	20,810	17,438
Imputed interest on loans from ultimate holding company	8,049	6,733
Imputed interest on loan from a minority equity holder of a subsidiary	150	150
	29,211	24,411

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 2012 (three months and six months ended 30 June 2011: 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 2012 (six months ended 30 June 2011: Nil).

10. LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2012 are based on the loss attributable to the owners of the Company of HK\$29,988,000 and HK\$57,797,000 respectively (three months and six months ended 30 June 2011: HK\$31,929,000 and HK\$59,960,000 respectively) and on the weighted average of approximately 6,213,042,353 shares and 6,209,361,035 in issue for the three months and six months ended 30 June 2012 respectively (three months and six months ended 30 June 2011: 6,126,754,881 shares and 6,126,339,606 shares in issue).

No diluted loss per share for the three months and six months ended 30 June 2012 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. LOANS TO AN ACQUIRING BUSINESS

Loans 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 loans 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 2012 HK\$'000 (Unaudited)	As at 31 December 2011 HK\$'000 (Audited)
Government loans — unsecured	(i)	RMB	2,590	2,590
Bank loans — unsecured		RMB	—	3,700
Bank loans — secured	(ii)	RMB	57,003	103,281
Financial liabilities on bills discounted with recourse		RMB	—	48,107
Total borrowings			59,593	157,678

Notes:

- (i) Government loans comprise an interest free loan of RMB1,100,000 (approximately HK\$1,293,000) (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\$1,175,000) are unsecured and interest-free.
- (ii) Bank loan was secured by bills receivable pledge to bank and bear floating interest rate which is based on 6-month interest rate of the People's Bank of China.

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 2011. The bonds are 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 2012, the Group's turnover increased 1.5 times to HK\$1,271.0 million compared to the same period in prior year, which was mainly attributable to the substantial increase in trading of metals and mineral resources that contributed HK\$1,263.8 million revenue to the Group. The trading business recorded a loss of HK\$4.4 million during the period, of which Brazil Xianglan incurred a loss of HK\$4.7 million.

Our silicon business achieved a turnover of HK\$7.2 million, representing a decrease of 76% compared to the same period in 2011 as the silicon market has become saturated since the beginning of the year. Segment loss for the period increased by 2.5 times to HK\$1.6 million, which was mainly due to the fixed overhead of the factory.

Resources of Xianglan Brazil has no significant change in 2012. For the three manganese licenses held by Xianglan Brazil, the Company has been considering between self development and reselling. In the past year, the price of manganese ores was ever decreasing. As the Company has concentrated its financial resources on the SAM iron mining project, no further geological work was done on the Manganese project. The Company does not rule out the possibility to seek for reselling the Manganese project in due course.

Liquidity and Financial Resources

During the six months ended 30 June 2012, the Group's operation was mainly financed by the internal financial resources and the substantial shareholder of the Group.

As at 30 June 2012, the Group had net current assets of HK\$9.6 million (31 December 2011: HK\$14.7 million). Current assets comprised bank balances and cash of HK\$6.6 million, inventories of HK\$12.6 million, trade and bills receivables of HK\$65.7 million, prepayments and other receivables of HK\$355.6 million and derivative financial assets of HK\$11.3 million. Current liabilities comprised trade and bills payables of HK\$139.1 million, other payables, accrued expenses and receipts in advance of HK\$236.9 million, borrowings of HK\$59.6 million and loan from a minority equity holder of a subsidiary of HK\$6.6 million.

The decrease in trade and bills receivables, and prepayments and other receivables totalled HK\$559.2 million are in line with the decrease in trade and bills payables, and other payables, accrued expenses and receipts in advance totalled HK\$528.1 million, which was result from the increase in the rate of settlement of accounts in 2012.

As at 30 June 2012, the gearing ratio of the Group which is measured by total borrowings to total equity was 0.43 (31 December 2011: 0.46).

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Capital Commitments

As at 30 June 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), and in relation to the acquisition of property, plant and equipment of HK\$1,867,000.

Contingent Liabilities

As at 30 June 2012, the Group did not have any significant contingent liabilities.

Progress of Exploration Activities

During the six months ended 30 June 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 except the new Code Provision C.1.2 that requires the Company to provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail. Under the requirements of the GEM Listing Rules, the Company prepares quarterly results that are reviewed and approved by the board and are available to public. The Company is in the opinion that the cost of preparing monthly updates in sufficient detail outweighs its benefits to the board, the Company and its shareholders as a whole. The Company has adopted, where appropriate, relevant new Recommended Best Practices as set out in the new Corporate Governance Code.

Progress of acquisition of Brazil iron mining project Sul Americana de Metais S.A.

On 5 March 2010, Honbridge and its wholly-owned subsidiary entered into a legally binding agreement ("the Formal Acquisition Agreement") with an independent third party — Votorantim Novos Negócios Ltda. (VNN) (which is a wholly-owned subsidiary of the Grupo Votorantim) and its related enterprises, that Honbridge is acquiring of 100% interests of SAM, a VNN's iron ore subsidiary, for not more than USD405 million. The payment for this acquisition is scheduled by five installments based on the progress of the project accordingly: Resource confirmation is made — USD10 million; Beneficiation test reached a satisfactory level — USD65 million; Obtained all the required licenses and approvals for starting the construction — USD115 million; and Port and mine being operated respectively — USD100 million each. The acquisition has been approved in the extraordinary general meeting of shareholders of Honbridge on 23 November 2010.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Progress of acquisition of Brazil iron mining project Sul Americana de Metais S.A. — continued

From the geographical mapping of the new exploration licenses five miles north of Block 8, resources potential may reach approximately 2,300 million tonnes. SAM is undergoing beneficiation optimisation tests, and has completed three with positive results. The geotechnical drilling programmed along the slurry pipeline has completed nearly 70% of the total work. After SAM has officially obtained the water usage rights of 51 million square metres for 20 years from the National Water Agency of Brazil in March this year, SAM has reached an agreement with Brazil Minas Gerais state government in July to construct a dam in another location which can provide additional 50 million square metres water per year for SAM. SAM is assessing the investments and operating costs of these two water supply locations. Regarding the port, SAM is under negotiation with the local government and local enterprises with respect to the private port with public function on mixed TUP and the shareholding structure of the port company. Final agreement is yet to reach. The environment impact assessment of the mining, beneficiation and slurry pipeline has been submitted to relevant government departments on 3 July 2012.

Up to the date of these results announcement, the Company has disbursed USD34.49 million as a loan to SAM for pre-feasibility study and other usages. Since the loan amount is capped at USD35 million under the existing loan agreement, the Company is in discussion with VNN a new loan agreement on potential additional loans.

Prospect

The Company hopes that the major tasks for the phase one development plan of the SAM Iron Ore can be completed during the year.

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

As at 30 June 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 ²		
HE Xuechu	—	22,460,000	4,065,000,000 ¹	—	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

Notes:

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 21 May 2012 and became effective on 21 May 2012. Particulars and movements of the outstanding share options granted under the Scheme during the six months ended 30 June 2012 were as follows:

Name or category of participant	Number of share options					Outstanding as at 30/6/2012	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 01/01/2012	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period						
Director											
LIU Wei, William	10,000,000	—	—	—	—	10,000,000	22/11/2007	22/05/2008 – 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
	—	10,000,000	—	—	—	10,000,000	28/05/2012	28/05/2012 – 27/05/2020	0.95	0.91	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
	—	10,000,000	—	—	—	10,000,000	28/05/2012	28/05/2012 – 27/05/2020	0.95	0.91	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	20,000,000	—	—	—	144,000,000					
Employee	13,000,000	—	—	—	—	13,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
	—	1,000,000	—	—	—	1,000,000	28/05/2012	28/05/2012 – 27/05/2020	0.95	0.91	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	21,000,000	—	(240,000)	—	458,000,000					

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.

Share options granted on 28 May 2012 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 30 June 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 30 June 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 (Note 1)	—	—	4,065,000,000	65.40
HE Xuechu (Note 2)	—	22,460,000	4,065,000,000 (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 (Note 3)	4,065,000,000	65.40
Brilliant People Limited	1,000,000,000 (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 30 June 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 30 June 2012, there was no conversion of the Company's outstanding convertible bonds.

CONNECTED TRANSACTIONS

For the six months ended 30 June 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 six months ended 30 June 2012, the Group has imputed interest on loans from ultimate holding company of approximately HK\$8.0 million, and imputed interest on loan from a minority equity holder of a subsidiary of HK\$150,000.

As at 30 June 2012, Hong Bridge Capital Limited, the ultimate holding company of the Company, provided loans aggregating HK\$334.2 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 30 June 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 six months ended 30 June 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 six months ended 30 June 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 30 June 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, 13 August 2012