



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

HONBRIDGE
HOLDINGS LIMITED



2012

Third Quarterly Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK 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 Stock 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 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 2012, together with the comparative unaudited figures for the corresponding periods in 2011, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Gross sales	2	859,891	318,867	2,129,932	832,409
Cost of sales		(859,346)	(318,739)	(2,128,367)	(828,234)
Net sales	2	(455)	128	1,565	4,175
Other operating income	3	4,935	3,829	14,262	11,066
Selling and distribution costs		(23)	(213)	(107)	(784)
Administrative expenses		(6,326)	(5,967)	(20,900)	(25,244)
Share based payment	4	–	(11,425)	(25,111)	(41,903)
Operating loss	5	(1,869)	(13,648)	(30,291)	(52,690)
Finance costs	7	(11,350)	(14,042)	(40,561)	(38,453)
Loss before income tax		(13,219)	(27,690)	(70,852)	(91,143)
Income tax expense	8	(2)	(13)	(258)	(105)
Loss from continuing operation for the period		(13,221)	(27,703)	(71,110)	(91,248)
Gain on disposal of subsidiaries less loss from discontinued operation for the period		–	–	–	1,972
Loss for the period		(13,221)	(27,703)	(71,110)	(89,276)
Other comprehensive income, including reclassification adjustments					
Exchange gain on translation of financial statements of foreign operations		(206)	(1,047)	(1,298)	29,785
Total comprehensive income for the period		(13,427)	(28,750)	(72,408)	(59,491)
Loss for the period attributable to:					
Owners of the Company		(13,149)	(27,487)	(70,946)	(87,447)
Non-controlling interests		(72)	(216)	(164)	(1,829)
		(13,221)	(27,703)	(71,110)	(89,276)
Total comprehensive income for the period attributable to:					
Owners of the Company		(13,352)	(28,176)	(72,240)	(67,784)
Non-controlling interests		(75)	(574)	(168)	8,293
		(13,427)	(28,750)	(72,408)	(59,491)
Basic loss per share loss attributable to the owners of the Company during the period	10	HK(0.21) cent	HK(0.45) cent	HK(1.14) cent	HK(1.43) cent

Notes:

1. BASIS OF PRESENTATION

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

	Nine months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Bank Interest income	69	19
Imputed interest on advances to an acquiring business	13,863	6,133
Proceed from disposal of materials	330	3,886
Sundry income	–	1,028
	14,262	11,066

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	
	2012	2011
	HK\$'000	HK\$'000
Operating loss is arrived at after charging/(crediting):		
Cost of inventories recognised as expense	2,128,367	828,234
Share-based payment expenses	25,111	41,903
Depreciation and amortisation	2,588	2,362
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:

Nine months ended 30 September 2012

	Mineral resources exploration and trading HK\$'000	Silicon products HK\$'000	Total HK\$'000
Reportable segment revenue (external customers)	2,121,904	8,028	2,129,932
Reportable segment results	(7,608)	(2,106)	(9,714)
Reportable segment assets	2,093,437	67,075	2,160,512
Reportable segment liabilities	499,515	42,627	542,142
Capital expenditure	–	390	390
Depreciation and amortisation	589	1,832	2,421

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

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	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Reportable segment results	(9,714)	(5,075)
Other operating income	13,863	11,066
Administrative expenses	(9,946)	(17,002)
Share based payment	(25,111)	(41,903)
Gain on disposal of subsidiaries	–	1,972
Finance costs	(40,202)	(38,334)
	(71,110)	(89,276)

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	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenues from external customers		
Hong Kong (discontinued publication business)	–	4,367
Mainland China	2,129,932	832,409
Reportable segment revenue from external customers	2,129,932	836,776

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	
	2012 HK\$'000	2011 HK\$'000
Interest charges on other borrowings wholly repayable within five years	209	119
Imputed interest on convertible bonds	31,926	26,753
Imputed interest on loans from ultimate holding company	8,276	11,581
Imputed interest on loan from a minority equity holder of a subsidiary	150	–
	40,561	38,453

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 2012 (three months and nine months ended 30 September 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 nine months ended 30 September 2012 (nine months ended 30 September 2011: Nil).

10. LOSS PER SHARE

The calculation of basic loss per share for the three months and nine months ended 30 September 2012 are based on the loss attributable to the owners of the Company of HK\$13,221,000 and HK\$71,110,000 (three months and nine months ended 30 September 2011: loss of HK\$27,487,000 and HK\$87,447,000) and on the weighted average number of 6,215,679,716 and 6,211,482,636 shares in issue (three months and nine months ended 30 September 2011: weighted average number of 6,140,322,614 and 6,131,051,828 shares in issue respectively).

For the three months and nine months ended 30 September 2012, 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	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 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	-	-	-	-	-	-	(70,946)	(164)	(71,110)
Other comprehensive income									
Currency translation	-	-	-	-	(1,294)	-	-	(4)	(1,298)
Total comprehensive income	-	-	-	-	(1,294)	-	(70,946)	(168)	(72,408)
At 30 September 2012	6,206	651,041	38,451	390,153	(39,271)	363,304	(899,816)	360,251	870,319

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the nine months ended 30 September 2012, the Group's turnover increased 1.6 times to HK\$2,129.9 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\$2,121.9 million revenue to the Group. The trading business recorded a loss of HK\$7.6 million during the period, of which Brazil Xianglan incurred a loss of HK\$8.0 million.

Our silicon business achieved a turnover of HK\$8.0 million, representing a decrease of 82% 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 66% to HK\$2.1 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 nine months ended 30 September 2012, the Group's operation was mainly financed by the internal financial resources and the substantial shareholder of the Group.

As at 30 September 2012, the Group had net current assets of HK\$11.3 million (31 December 2011: HK\$14.7 million). Current assets comprised bank balances and cash of HK\$6.4 million, inventories of HK\$11.1 million, trade and bills receivables of HK\$121.6 million, prepayments and other receivables of HK\$401.5 million and derivative financial assets of HK\$11.3 million. Current liabilities comprised trade and bills payables of HK\$232.9 million, other payables, accrued expenses and receipts in advance of HK\$298.5 million, borrowings of HK\$2.6 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\$457.4 million are in line with the decrease in trade and bills payables, and other payables, accrued expenses and receipts in advance and borrowings totalled HK\$530.4 million, which was result from the increase in the rate of settlement of accounts and the repayment of borrowings in 2012.

As at 30 September 2012, the gearing ratio of the Group which is measured by total borrowings to total equity was 0.03 (31 December 2011: 0.46).

Capital Commitments

As at 30 September 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.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Contingent Liabilities

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

Progress of Exploration Activities

During the nine months ended 30 September 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 whollyowned 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 SAM Iron Ore Project Block 8 phase one development plan and the environmental impact assessment report were submitted on 3 July, which have been accepted by Brazil IBAMA on 22 August. Beneficiation enhancement tests have been undergoing. SAM has also been in discussion with relevant parties in respect of the port development.

Up to the date of the these results announcement, the Company has disbursed USD35 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 still 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 September 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 period for the nine months ended 30 September 2012 were as follows:

Name or category of participant	Number of share options					Outstanding as at 30/9/2012	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 September 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 September 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:

- 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.
- Ms. FOO Yatyan is the spouse of Mr. HE Xuechu.
- Mr. LI Xing Xing holds 32% equity interest of Hong Bridge.
- 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 September 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 nine months ended 30 September 2012, there was no conversion of the Company's outstanding convertible bonds.

CONNECTED TRANSACTIONS

For the nine months ended 30 September 2012, the Group has sold approximately HK\$100.6 million of steel products and approximately HK\$430.8 million of copper products to Shanghai Yingyue Industrial Co. Ltd., a company connected with a non-executive director of the Company, Mr. YAN Weimin. The transactions constituted connected transactions under the GEM Listing Rules.

For the nine months ended 30 September 2012, the Group has imputed interest on loans from ultimate holding company of approximately HK\$8.3 million, and imputed interest on loan from a minority equity holder of a subsidiary of HK\$150,000.

As at 30 September 2012, Hong Bridge Capital Limited, the ultimate holding company of the Company, provided loans aggregating HK\$3,389 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 98.75% 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 (i) steel and steel related products and (ii) non-ferrous metals (including copper). Hongying Trading has entered into distribution agreements with Yingyue, pursuant to which, Yingyue is a non-exclusive distributor of the steel and copper 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 2012.

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 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 and nine months ended 30 September 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

Save for disclosed, during the nine months ended 30 September 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, 9 November 2012