



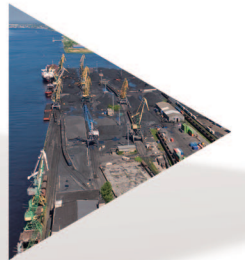
HONBRIDGE HOLDINGS LIMITED
洪橋集團有限公司

(Stock Code: 8137)



2013

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of Honbridge Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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 2013, together with the comparative unaudited figures for the corresponding period in 2012, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME — UNAUDITED

	Notes	Three months ended 30 June		Six months ended 30 June	
		2013 HK\$'000	2012 HK\$'000 (Restated)	2013 HK\$'000	2012 HK\$'000 (Restated)
Turnover	2	4,560	403,251	6,154	408,723
Direct operating expenses		(512)	(402,021)	(1,244)	(406,703)
Other operating income	3	817	5,103	4,998	9,327
Selling and distribution costs		(357)	(41)	(398)	(84)
Administrative expenses		(11,991)	(7,276)	(18,857)	(14,574)
Other expenses		(18,792)	–	(24,115)	–
Share-based payment expenses	4	–	(13,781)	–	(25,111)
Operating losses	5	(26,275)	(14,765)	(33,462)	(28,422)
Finance costs	7	(20,560)	(14,996)	(37,383)	(29,211)
Gain on bargain purchase	8	–	–	16,436,493	–
Gain on disposal of subsidiaries	9	73,188	–	73,188	–
Profit (loss) before income tax		26,353	(29,761)	16,438,836	(57,633)
Income tax expense	10	–	(255)	–	(256)
Profit (loss) for the period		26,353	(30,016)	16,438,836	(57,889)
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Exchange loss on translation of financial statements of foreign operations		(1,811,978)	(1,324)	(1,812,227)	(1,092)
Other comprehensive income, net of tax		(1,811,978)	(1,324)	(1,812,227)	(1,092)
Total comprehensive income for the period		(1,785,625)	(31,340)	14,626,609	(58,981)
Profit (loss) for the period attributable to:					
Owners of the Company		26,602	(29,988)	16,439,263	(57,797)
Non-controlling interests		(249)	(28)	(427)	(92)
		26,353	(30,016)	16,438,836	(57,889)
Total comprehensive income attributable to:					
Owners of the Company		(1,774,774)	(31,312)	14,637,680	(58,888)
Non-controlling interests		(10,851)	(28)	(11,071)	(93)
		(1,785,625)	(31,340)	14,626,609	(58,981)
Earnings (loss) per share	12				
— Basic		HK0.43 cent	HK(0.48) cent	HK264.48 cents	HK(0.93) cent
— Diluted		N/A	N/A	HK246.84 cents	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3,971	1,219
Exploration and evaluation assets	13	25,511,693	–
Prepaid land lease payments		21,356	21,403
Promissory note	9	179,616	–
Deposits for acquisition of business		–	81,265
Loans to an acquiring business	14	–	262,434
		25,716,636	366,321
Current assets			
Inventories		2,894	2,777
Trade and bill receivables	15	250,008	261,437
Prepayments and other receivables		10,709	96,366
Promissory note	9	96,716	–
Derivatives financial assets		–	6,569
Restricted bank deposits		32,049	40,341
Cash and cash equivalents		242,097	2,360
		634,473	409,850
Assets of disposal group classified as held for sale		–	1,271,161
Total current assets		634,473	1,681,011
Current liabilities			
Trade and bill payables	18	251,051	267,855
Other payables, accrued expenses and receipts in advance		38,923	28,451
Borrowings	17	34,688	127,797
Derivatives financial liabilities	16	77,057	–
Contingent consideration	8	823,624	–
Loan from non-controlling interest of a subsidiary	19	6,800	6,800
		1,232,143	430,903
Liabilities of disposal group classified as held for sale		–	431,440
Total current liabilities		1,232,143	862,343
Net current (liabilities) assets		(597,670)	818,668
Total assets less current liabilities		25,118,966	1,184,989
Non-current liabilities			
Loans from ultimate holding company	20	335,905	330,194
Convertible bonds	21	408,202	270,175
Deferred tax liabilities		8,568,011	693
Contingent consideration	8	530,929	–
		9,843,047	601,062
Net assets		15,275,919	583,927
EQUITY			
Equity attributable to the owners of the Company			
Share capital		6,216	6,216
Reserves		15,276,602	298,523
		15,282,818	304,739
Non-controlling interests		(6,899)	279,188
Total equity		15,275,919	583,927

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

For the six months ended 30 June 2013

	Equity attributable to owners of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Other reserve	Share-based payment reserve	Translation reserve	Convertible bonds				
						equity reserve	Accumulated profit (loss)			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
2013										
At 1 January 2013	6,216	679,331	45,475	357,381	(99,740)	363,304	(1,047,228)	304,739	279,188	583,927
Lapse of share options	-	-	-	(7,695)	-	-	7,695	-	-	-
Issue of convertible bonds	-	-	-	-	-	258,836	-	258,836	-	258,836
Disposal of subsidiaries	-	-	-	-	123,560	(363,304)	321,307	81,563	(275,016)	(193,453)
Transaction with owners	-	-	-	(7,695)	123,560	(104,468)	329,002	340,399	(275,016)	65,383
Profit for the period	-	-	-	-	-	-	16,439,263	16,439,263	(427)	16,438,836
Other comprehensive income										
Currency translation	-	-	-	-	(1,801,583)	-	-	(1,801,583)	(10,644)	(1,812,227)
Total comprehensive income	-	-	-	-	(1,801,583)	-	16,439,263	14,637,680	(11,071)	14,626,609
At 30 June 2013	6,216	679,331	45,475	349,686	(1,777,763)	258,836	15,721,037	15,282,818	(6,899)	15,275,919
2012										
At 1 January 2012	6,206	651,041	38,451	365,042	(37,977)	363,304	(828,870)	557,197	360,419	917,616
Employee share-based compensation	-	-	-	25,111	-	-	-	25,111	-	25,111
Transactions with owners	-	-	-	25,111	-	-	-	25,111	-	25,111
Loss for the period	-	-	-	-	-	-	(57,797)	(57,797)	(92)	(57,889)
Other comprehensive income										
Currency translation	-	-	-	-	(1,091)	-	-	(1,091)	(1)	(1,092)
Total comprehensive income	-	-	-	-	(1,091)	-	(57,797)	(58,888)	(93)	(58,981)
At 30 June 2012	6,206	651,041	38,451	390,153	(39,068)	363,304	(886,667)	523,420	360,326	883,746

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED

	Notes	Six months ended 30 June	
		2013 HK\$'000	2012 HK\$'000
Net cash generated from operating activities		56,638	46,100
Net cash used in investing activities:			
Disposal of subsidiaries (net of cash and cash equivalent disposed)	9	110,588	–
Acquisition of a subsidiary (net of cash and cash equivalent acquired)	8	(501,046)	–
Other investing cash flows		(67,172)	(36,386)
		(457,630)	(36,386)
Net cash from (used in) financing activities:			
Proceeds on issue of convertible bonds	22	240,000	–
Loan from a connected party		500,000	–
Other financing cash flows		(99,244)	(37,890)
		640,756	(37,890)
Net increase (decrease) in cash and cash equivalents		239,764	(28,176)
Cash and cash equivalents, at beginning of period		2,360	35,838
Effect of foreign exchange rate changes		(27)	(1,091)
Cash and cash equivalents, at end of period		242,097	6,571
Analysis of the balance of cash and cash equivalents			
Cash at banks and in hand		242,097	6,571

Notes:

1. BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months and six months ended 30 June 2013 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 ("HKFRSs") 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 2012 annual report.

The accounting policies adopted in the 2012 annual financial statements have been consistently applied to these financial statements except that in the current period, the Group has applied for the first time certain new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2013. The adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

2. TURNOVER

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

Revenue from trading commodity contracts represented income on contracts to buy or sell copper and steel products by the Group, which were not entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements.

During the corresponding six months ended 30 June 2012, gross sales and purchase amounts of these transactions were presented as approximately HK\$863,657,000 revenue and approximately HK\$862,318,000 direct operating expenses respectively in the Company's interim report. These are now restated to present in net amount of approximately HK\$1,339,000 as revenue from trading commodity contracts in compliance with Hong Kong Accounting Standard 39. This restatement has no impact on the loss for the corresponding period in 2012. The revenue generated from trading commodity contracts in current period was approximately HK\$5,349,000 with gross sales and purchase amount of approximately HK\$1,414,053,000 and approximately HK\$1,408,704,000 respectively.

3. OTHER OPERATING INCOME

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Bank Interest income	22	69
Imputed interest on loans to an acquiring business	3,624	9,003
Sundry income	1,352	255
	4,998	9,327

4. SHARE-BASED PAYMENT EXPENSES

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

5. OPERATING LOSSES

	Note	Six months ended 30 June	
		2013 HK\$'000	2012 HK\$'000 (Restated)
Operating losses are arrived at after charging:			
Convertible bonds settlement expenses		12,684	–
Fair value loss on initial recognition of loans to an acquiring company		5,049	–
Fair value loss on derivatives financial assets		2,626	–
Acquisition related expenses	8	2,328	–
Cost of inventories recognised as expense		1,244	406,703
Share-based payment expenses		–	25,111
Depreciation and amortisation		662	1,924

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 (i.e. the executive directors) is set out below:

Six months ended 30 June 2013

	Mineral resources exploration and trading HK\$'000	Silicon products HK\$'000	Total HK\$'000
Reportable segment revenue (external customers)	5,349	805	6,154
Reportable segment gain (loss)	16,429,824	(956)	16,428,868
Reportable segment assets	25,811,442	27,744	25,839,186
Reportable segment liabilities	1,641,975	42,998	1,684,973
Capital expenditure	20,774	–	20,774
Depreciation and amortisation	448	214	662

Six months ended 30 June 2012

	Mineral resources exploration and trading HK\$'000 (Restated)	Silicon products HK\$'000	Total HK\$'000 (Restated)
Reportable segment revenue (external customers)	401,519	7,204	408,723
Reportable segment loss	(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

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	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Reportable segment results	16,428,868	(6,053)
Gain on disposal of subsidiaries	73,188	–
Other operating income	3,852	9,003
Administrative expenses	(9,637)	(6,869)
Other operating expenses	(22,687)	–
Share-based payment expenses	–	(25,111)
Finance costs	(34,748)	(28,859)
Profit (loss) for the period	16,438,836	(57,889)
	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Reportable segment assets	25,839,186	1,695,917
Deposits for acquisition of a business	–	81,265
Loans to an acquiring business	–	262,434
Prepayments and other receivables	5,573	913
Promissory note	276,332	–
Derivatives financial assets	–	6,569
Cash and cash equivalents	230,018	234
	26,351,109	2,047,332
Reportable segment liabilities	1,684,973	429,712
Other payables, accrued expenses and receipts in advance	1,042	1,340
Convertible bonds	408,202	270,175
Derivatives financial liabilities	77,057	–
Loans from ultimate holding company	335,905	330,194
Deferred tax liabilities	8,568,011	431,984
	11,075,190	1,463,405

6. SEGMENT INFORMATION — CONTINUED

The Group's revenues from external customers are from Mainland China and its non-current assets (other than promissory note and loans to an acquiring business) are divided into the following geographical areas:

	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Non-current assets		
Hong Kong	–	81,265
Mainland China	22,332	22,622
Latin America	25,514,688	–
Reportable segment non-current assets	25,537,020	103,887

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	
	2013	2012
	HK\$'000	HK\$'000
Interest charges on other borrowings wholly repayable within five years	2,635	202
Imputed interest on convertible bonds	25,536	20,810
Imputed interest on loans from ultimate holding company	9,212	8,049
Imputed interest on loan from a minority equity holder of a subsidiary	–	150
	37,383	29,211

8. ACQUISITION OF A SUBSIDIARY

On 28 March 2013, the Group acquired 99.99% issued share capital of Sul Americana de Metais S.A. ("SAM") for a total consideration of approximately USD249.9 million (equivalent to approximately HK\$1,940.7 million) which is the sum of USD75.4 million (equivalent to approximately HK\$586.2 million) cash consideration settled and the fair value of contingent consideration as at the acquisition date estimated to be USD174.5 million (equivalent to approximately HK\$1,354.5 million). SAM is engaged in research and exploration of iron ores and is acquired as a key project for the Group's mineral resources sector.

8. ACQUISITION OF A SUBSIDIARY — CONTINUED

Fair values of assets acquired and liabilities recognised at the date of acquisition:

	HK\$'000
Property, plant and equipments	2,168
Exploration and evaluation assets	28,172,000
Bank balances and cash	3,880
Other receivables	1,166
Other payables	(19,285)
Loan from Honbridge Group	(315,319)
Deferred tax liabilities	(9,467,373)
	<u>18,377,237</u>

Consideration transferred:

	HK\$'000
Deposits for acquisition of business	81,265
Cash paid	504,926
Contingent consideration (note)	1,354,553
	<u>1,940,744</u>

Note:

Under the original share purchase agreement, the Group is required to pay:

- US\$115,000,000 on the tenth Business Day following the Approval Date (or the date the Group waives the requirements that all Required Approvals be obtained) (the "Approvals Payment");
- US\$100,000,000 on the tenth Business Day following the Port Operation Commencement Date (the "Port Operation Payment"), being the later of (a) the Closing Date; and (b) the date by which an aggregate of 100,000 metric tons of pellets or pellet feed have been shipped through the Port on a commercial basis;
- US\$100,000,000 on the tenth Business Day following the Mining Production Commencement Date (the "Mining Production Payment").

Under the supplemental share purchase agreement dated 7 February 2013, the Group may choose to make the Approvals Payment to the Sellers on or prior to the six-month anniversary of the date of the acquisition, irrespective of whether all Required Approvals have been obtained.

In such event, the Port Operation Payment and the Mining Production Payment will be both reduced to US\$40,000,000, which shall be payable by the Group on the tenth Business Day following the Port Operation Commencement Date.

The contingent consideration represents the estimated fair value of the obligation and has been fully provided. The fair value is estimated by independent professional valuers based on discounted cash flow model.

8. ACQUISITION OF A SUBSIDIARY — CONTINUED

Acquisition related cost amounting to HK\$2.3 million have been excluded from the consideration transferred and have been recognised as an expense in the current period, within the other expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Gain from the bargain purchase:

	HK\$'000
Net assets acquired	18,377,237
Less: Consideration transferred	(1,940,744)
	<u>16,436,493</u>
	HK\$'000
Bank and cash balances in subsidiary acquired	3,880
Consideration settled in cash	(504,926)
Cash outflow on acquisition	<u>(501,046)</u>

Impact of acquisition on the results of the Group

As the SAM iron ore project is at preliminary stage and not commenced production, had the acquisition been completed on 1 January 2013, total Group revenue for the period would remain unchanged but the profit for the period would have been decreased by approximately HK\$6.7 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

9. DISPOSAL OF SUBSIDIARIES

On 4 January 2013, the Company entered into a sale and purchase agreement with Brilliant People Limited to dispose of its 100% equity interest in Hill Talent Limited, which beneficially owns 66% of the issued share capital of Xianglan Brazil. Xianglan Brazil was the holder of three exploration licences for the Disposal Mines in the Bahia State of Brazil. Xianglan Brazil also directly holds 95% of the issued share capital of Xianglan Mexico and the entire issued share capital of Xianglan Uruguay. Xianglan Mexico is a mineral resources trading company and Xianglan Uruguay has not commenced any business since its incorporation. The purpose of the disposal is to improve the Group's capital and liquidity position for its business development in the Brazilian SAM Iron Ore Project. The disposal was completed on 6 June 2013, on which date the Group passed the control of Hill Talent Limited to Brilliant People Limited.

9. DISPOSAL OF SUBSIDIARIES — CONTINUED

The net assets of Hill Talent Limited at the date of disposal were as follows:

	HK\$'000
Net assets disposed of:	
Property, plant and equipment	113
Exploration and evaluation assets	1,221,556
Other receivables and deposits	1,308
Bank and cash balances	562
Other payables, accrued expenses and receipts in advance	(122)
Deferred tax liabilities	(415,313)
	<u>808,104</u>
Non-controlling interests	(275,016)
Reclassification of cumulative translation reserve upon disposal of Hill Talent Limited to profit or loss	123,560
Gain on disposal	73,188
Total consideration	<u>729,836</u>
Satisfied by:	
Cash	111,150
Convertible bonds (Note 1)	342,354
Promissory note (Note 2)	276,332
	<u>729,836</u>
Net cash inflow arising on disposal:	
Total cash consideration received	111,150
Bank balances and cash disposal of	(562)
	<u>110,588</u>

Notes:

1. The convertible bonds were issued to Brilliant People Limited on 24 March 2010 and can be converted into 400,000,000 ordinary shares of the Company per HK\$1 bond at par. The convertible bonds were repurchased and cancelled upon disposal of Hill Talent Limited.
2. The promissory note comprised of 226,500,000 Company's shares owned by Brilliant People Limited and will be sold on the open market and apply the proceeds of sale for payment of the outstanding principal amount of the promissory note from time to time within three years from the date of disposal Hill Talent Limited.

The fair values of the convertibles bonds and promissory note as at disposal date were determined with reference to the valuation performed by independent professional valuer.

10. 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 2013 (three months and six months ended 30 June 2012: 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.

11. DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

12. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings per share for the three months and six months ended 30 June 2013 are based on the profit attributable to the owners of the Company of approximately HK\$26,602,000 and HK\$16,439,263,000 respectively (loss for the three months and six months ended 30 June 2012: HK\$29,988,000 and HK\$57,797,000 respectively) and on 6,215,679,716 weighted average number of shares (three months and six months ended 30 June 2012: 6,213,042,353 shares and 6,209,361,035 shares in issue).

For diluted earnings per share for the six months ended 30 June 2013, 6,670,130,811 weighted average number of shares and adjusted profit of approximately 16,464,799,000 were used after taking account into the share options and convertible bonds which have a dilutive impact. No such figure was presented for the three months ended 30 June 2013, three months and six months ended 30 June 2012 because the impact of the share options and convertible bonds was anti-dilutive.

13. 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.

During the period ended 30 June 2013, the Group acquired approximately HK\$28,172,000,000 and disposed HK\$1,221,556,000 exploration and evaluation assets through acquisition of SAM and disposal of Hill Talent Limited respectively. More details are set out in note 8 and note 9 for the acquisition and disposal respectively.

14. LOANS TO AN ACQUIRING BUSINESS

As at 31 December 2012, loans to an acquiring business were unsecured, interest-free and repayable on the business day immediately following the date when the acquisition of the business was completed. The loans were used exclusively for the purposes of completing the mineral resources exploration work of the acquiring business. The business has been acquired by the Company during the period. More details are set out in note 8.

15. TRADE AND BILL RECEIVABLES

The Group allows an average credit period of 30 days to 120 days to its trade customers. The following is the breakdown and ageing analysis of net trade and bill receivables at the reporting date invoice date.

	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Trade receivables	250,008	111,673
Bill receivables	–	149,764
	250,008	261,437
0 to 30 days	38,995	260,817
91 to 180 days	211,013	–
Over 180 days	–	620
	250,008	261,437

16. DERIVATIVE FINANCIAL LIABILITIES

The derivative financial liabilities represented the embedded derivatives in convertible bonds (note 21) and are reported at fair values and determined by the Directors with reference to the valuation performed by independent professional valuer. More details are set out in note 23.

17. BORROWINGS

	Notes	Original currency	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Government loans — unsecured	(i)	RMB	2,639	2,613
Bank loans — secured	(ii)	RMB	32,049	125,184
Total borrowings			34,688	127,797

Notes:

- (i) Government loans comprise an interest free loan of RMB1,100,000 (approximately HK\$1,382,000) (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\$1,257,000) are unsecured and interest-free.
- (ii) Bank loan was secured by restricted bank deposits and bear floating interest rate which is based on 6-month interest rate of the People's Bank of China.

18. TRADE AND BILL PAYABLES

The following is the breakdown and analysis of trade and bill payables by age, presented based on the invoice date.

	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Trade payables	251,051	205,585
Bill payables	–	62,270
	251,051	267,855
0–30 days	37,606	179,514
61–90 days	–	10,027
91–180 days	202,490	67,535
Over 180 days	10,955	10,779
	251,051	267,855

19. LOAN FROM NON-CONTROLLING INTEREST OF A SUBSIDIARY

The loan is unsecured, interest-free and repayable on demand.

20. 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.

21. CONVERTIBLE BONDS

The convertible bonds were issued on 4 June 2013. The bonds are convertible into 2,000,000,000 ordinary shares of the Company from the date of issue of the bonds and before the maturity date on 3 June 2018.

The convertible bonds are interest-free and not redeemable by the Company but the bond holder has the discretion on redemption after the second anniversary of the date of issue of the bonds.

On 6 June 2013, the convertible bonds issued on 24 March 2010 were repurchased and cancelled as part of the consideration received for disposal of Hill Talent Limited. More details are set out in note 9 to the interim report.

22. NON-CASH TRANSACTION

The total proceeds for the convertible bonds issued on 4 June 2013 was HK\$740 million. The total proceeds was settled by HK\$240 million cash and HK\$500 million loan from a connected party on the date of issue.

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The Group and the Company use the following hierarchy for determining and disclosing the fair value of financial instruments that are measured at fair value in the statements of financial position:

Level 1: fair value measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: fair value measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial liabilities are categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

Derivatives financial liabilities measured at fair value as at 30 June 2013

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
— Embedded derivatives in convertible bonds	—	77,057	—	77,057

Valuation technique: Binomial Tree Model

Key inputs: Effective interest rate, risk-free Rate and company's share price's volatility.

During the six months ended 30 June 2013, there was no transfer between different levels of fair value hierarchy. When transfers between levels are deemed to have occurred, the Group's would recognise the transfers at the end of each reporting period in which they occur.

The carrying amounts of other financial assets and liabilities were recorded at amortised cost in the consolidated financial statements approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2013, the Group's turnover decreased from HK\$408.7 million to HK\$6.2 million compared to the same period in prior year, which was mainly attributable to change of the Group's trading pattern and revenue from most of the sales transactions in current period was recognised in net basis in compliance with the accounting standard. Xianglan Brazil did not contribute any turnover to the Group (30 June 2013: HK\$0.4 million) and was disposed during the period.

Our silicon business achieved a turnover of HK\$0.8 million, representing a decrease of 89% compared to the same period in 2012 as a results of cutting production in an attempt to keep the selling price in a worldwide flooded silicon market. Segment loss for the silicon business decreased by approximately 1.7 times to HK\$0.96 million, which was mainly due to the decrease in fixed overhead.

No turnover has been recorded in Brazilian SAM iron ore project as the project is still in preliminary stage.

Liquidity and Financial Resources

During the six months ended 30 June 2013, the Group's operation was mainly financed by the proceeds received from issuance of convertible bonds and the substantial shareholder of the Group.

As at 30 June 2013, the Group had net current liabilities of HK\$597.7 million (31 December 2012: net current assets of HK\$818.7 million). Current assets comprised bank balances and cash of HK\$242.1 million, trade and bill receivables of HK\$250.0 million, promissory note of HK\$96.7 million (current portion), restricted bank deposits of HK\$32.0 million and prepayments and other receivables of HK\$10.7 million and inventories of HK\$2.9 million.

Current liabilities excluding the liabilities of disposal group classified as held for sale comprised contingent consideration of HK\$823.6 million, trade and bill payables of HK\$251.1 million, derivatives financial liabilities of HK\$77.1 million, other payables, accrued expenses and receipts in advance of HK\$38.9 million, borrowings of HK\$34.7 million and loan from non-controlling interest of a subsidiary of HK\$6.8 million.

Excluding the assets of disposal group classified as held for sale, the increase in current assets during the period was mainly due to the increase in bank balance and cash of HK\$239.7 million which mainly represents the net movement of HK\$740 million proceeds received from issuance of convertible bonds and HK\$501 million cash paid for acquisition of SAM in Brazil. In addition, the Company also received a promissory note with fair value of HK\$96.7 million (current portion) as part of the consideration received for disposal of Hill Talent Limited.

Current liabilities excluding the liabilities of disposal group classified as held for sale increased by approximately HK\$805 million when compared to 31 December 2012 mainly represents the current portion of contingent consideration with fair value of HK\$823.6 million for SAM's further payment and the HK\$77.1 million financial derivatives which is the fair value of convertible bonds holder's early redemption option related to the convertible bonds issued during the period. The increase was net off by the repayment of borrowings of approximately HK\$93.1 million during the period.

As at 30 June 2013, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 0.02 (31 December 2012: 0.80).

Capital Commitments

As at 30 June 2013, the Group has contracted but not provided for capital commitments in relation to the acquisition of property, plant and equipment and exploration and evaluation assets of approximately HK\$8.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Contingent Consideration and Liabilities

On 5 March 2010, Lit Mining and VNN (as the sellers), Esperento and Mineral Ventures (wholly-owned by VNN), Infinite Sky and New Trinity (wholly-owned by the Company and as the buyers), and the Company entered into the Share Purchase Agreement in relation to the Acquisition of SAM. Pursuant to the Share Purchase Agreement, the Consideration of USD390 million for the Acquisition was to be satisfied in cash in five instalment payments.

As at period end date, the first and the second instalment payment amount to USD75 million (equivalent to approximately HK\$505 million) have been settled. The third instalment payment amount to USD115 million (equivalent to approximately HK\$893 million) are to be settled on the tenth Business Day following the Approval Date (or the date Infinite Sky waives the requirements that all Required Approvals be obtained). The fourth instalment payment of USD100 million (equivalent to approximately HK\$776 million) was agreed to pay on the tenth Business Day following the Port Operation Commencement Date, being the later of (a) the Closing Date; and (b) the date by which an aggregate of 100,000 metric tons of pellet feed have been shipped through the Port on a commercial basis; and the fifth instalment payment of USD100 million (equivalent to approximately HK\$776 million) is required to settle on the tenth Business Day following the Mining Production Commencement Date.

On 7 February 2013, the parties entered into a supplemental agreement to the Share Purchase Agreement of the SAM. In the event that the third instalment payment to the vendor is made by the Company on or prior to the end of September in the same year, the fourth and the fifth instalment payment both will be reduced by USD60 million (equivalent to approximately HK\$466 million), therefore the total consideration will be reduced to USD270 million (equivalent to approximately HK\$2,095 million).

The valuation of the contingent consideration for the third to fifth instalments payment were carried out by an independent professional valuer and their fair value was approximately USD174.5 million (equivalent to approximately HK\$1,354.5 million).

As at period ended 30 June 2013, saved as disclosed above the Group did not have any significant contingent liabilities.

Acquisition of SAM

On 28 March 2013, the Company has settled the second instalment payment of the Consideration amount to USD65.0 million (equivalent to approximately HK\$504.9 million) to acquire 99.99% equity interest of Sul Americana de Metais S.A. ("SAM"). Upon SAM become a subsidiary of the Company, the financial results of SAM was consolidated into the financial statements of the Group using acquisition method in accordance with applicable accounting standards. Based on a JORC compliant iron mineral resources report of SAM, the valuation of SAM's exploration rights estimated by Roma Appraisals Limited, an independent professional valuer was approximately USD3,629.0 million (equivalent to approximately HK\$28,172.0 million) as at 28 March 2013. The acquisition-date fair value of the net assets acquired was approximately USD2,367.2 million (equivalent to approximately HK\$18,377.2 million). The total Consideration is estimated to be USD249.9 million (equivalent to approximately HK\$1,940.7 million) which is the sum of USD75.4 million (equivalent to approximately HK\$586.2 million) consideration settled and the fair value of contingent consideration estimated to be USD174.5 million (equivalent to approximately HK\$1,354.5 million). Approximately USD2,117.3 million (equivalent to approximately HK\$16,436.5 million) gain on bargain purchase, represents the difference between the total consideration and the net fair value of assets and liabilities acquired was recognised as a gain in the consolidated statement of profit or loss during the period.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Disposal of Hill Talent Limited

On 6 June 2013, approximately HK\$73.2 million gain on disposal of subsidiaries was recognised when the Group disposed its 100% equity interest in Hill Talent Limited to Brilliant People Limited for a total consideration of approximately HK\$729.8 million, comprising of approximately HK\$111.2 million cash, HK\$342.3 million repurchased convertible bonds and HK\$276.3 million promissory note. The purpose of the disposal is to improve the Group's capital and liquidity position for its business development in the Brazilian SAM iron ore project.

Progress of SAM

After SAM becomes a subsidiary of the Group, the Group will continue to provide capital to SAM for the purpose of development of the iron ore project. As of the date of this report, the Group has provided funding with principal amount of approximately USD47 million to SAM.

As of the date of this report, SAM held 54 Exploration Rights in 9 blocks (Block 5, 6, 7, 8, 9, 10, 11, 12 and 13) covering an area of approximately 75,000 hectares. SAM also submitted application for exploitation permit for 2 exploration rights in Block 8, covering an area of 2,600 hectares. Besides, SAM has submitted application for 8 additional Exploration Rights and 1 will be transferred to SAM from SAM's affiliates, subject to the approval of National Department of Mineral Production ("DNPM") in Brazil. Lastly, SAM have filed bid for 19 Exploration Rights and is pending tender results.

SAM plans to construct a beneficiation plant (phase I) with an annual capacity of 25 million tons of 65% or above Fe concentrate in Block 8, which mainly includes infrastructure facilities such as mining and beneficiation facilities, utilities, slurry pipelines and port for iron ore. Block 8 contains approximately 2,600 million tons of measured and indicated run-of-mine ("ROM") based on the JORC standard, which translates into approximately 720 million tons of iron concentrate for a lifespan of over 27 years. The Initial Scope of Work underway in Block 8 includes the obtaining of the required licenses and approvals for starting the construction and preparation of a bankable feasibility study ("BFS") level of feasibility study.

The detailed exploration drilling for two exploration rights of Block 7 has completed and the final exploration report was submitted to DNPM on 17 May and 28 May 2013 respectively. It is estimated that potential resources level in Block 7 could be up to approximately 4,800 million tons of ROM in accordance with the Brazilian mining standards (non-JORC standard).

Geographic map of a new licensed exploration area north to Block 8 shows that the estimated potential resources level could reach up to approximately 2,300 million tons of ROM.

SAM will commence the geological work for the other 7 blocks in accordance with Brazilian laws and extend the terms of exploration rights for those with resources potential and will surrender those exploration rights with no resources potential when they fall due.

SAM has approximately 70 staff in Brazil, and has engaged over 20 professional consultancies and laboratories in Brazil, China, Chile and USA to assist in its initial scope research and analysis.

1. Licenses and Approvals for Commencement of Construction

Construction of Block 8 (phase I) shall obtain 8 major approvals according to the Brazilian laws, including:

Vegetation Suppression License ("ASV"): owners of the mines and lands along the pipelines have confirmed that, SAM may apply to the government for the permit after they have agreed on the acquisition, usage and road crossing issues with the owners.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Progress of SAM — Continued

1. Licenses and Approvals for Commencement of Construction — Continued

Preliminary License (“LP”): Environmental impact assessment (“EIA”) has been submitted to Brazilian Institute of Environment and Renewable Natural Resources (“IBAMA”) on 3 July 2012 and was accepted on 21 August 2012. The hearing was completed in January 2013, pending final review and granting of license.

Installation License (“LI”): SAM is in the process of preparing the basic environment plan (PBA)

Mining License (“PL”): Economic exploitation plan report was submitted on 6 March 2013, pending review and granting of license.

Landowners Expropriation Authorization: The relevant governmental authorities are in the process of final approval.

Federal Water License and State Water License: The Brazilian Federal Water Authority has granted SAM a water right in March 2012, which allows SAM to have an annual water consumption of 51 million cubic meters from the Irape Dam for 20 consecutive years. The Irape Dam is approximately 50 kilometers from the beneficiation plant. Agreement was reached with the State of Minas to construct a dam in Vacaria, which is 17 kilometers from the beneficiation plant, with an annual water consumption of 60 million cubic meters. The pre-construction work for the dam in Vacaria is in progress. Either of the licenses will satisfy the requirement.

ANTAQ Port Operating License: The license was granted in November 2012. SAM is in the process of preparing the PBA together with other local corporates. The negotiation between the consortium comprising SAM and a number of local corporates and the government regarding the construction and operation of the port has reached the final stage.

SAM will seek to obtain all licenses and approvals for commencement of construction by the end of 2013 or in the first quarter of 2014.

2. Construction Phase I

For the construction of Block 8 (phase I), following completion of detailed exploration drilling in January 2011, beneficiation test has been duly completed in February 2013. Detailed engineering design for mining, beneficiation, water supply, electricity supply, pipelines and ports will commence. Following completion of the BFS, tender for the construction project and large-scale construction work will commence. If all licenses and approvals for starting the construction are obtained in the first quarter of 2014, the mine is expected to commence operation by the end of 2015 or in the first half of 2016.

Based on the latest study, the latest estimation by the management on the capital expenditure (“CAPEX”) is approximately USD3.8 billion and operational expenditure (“OPEX”) (per ton of iron concentrate) is approximately USD32 in construction project phase I.

The Group has analyzed the CAPEX of a number of comparable mines and OPEX (per ton of iron concentrate) of over 300 operating iron ore mines. Relatively, construction phase I of Block 8 is highly competitive in terms of both estimated CAPEX and OPEX. Regardless of the trend in global iron ore demand, iron concentrate products of SAM will be highly competitive in terms of costs based on latest estimation.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Progress of SAM — Continued

3. *Feasibility Study Report*

The Group has engaged China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. ("NFC") to prepare a feasibility study report on the phase I construction work based on the PRC industry standards and regulatory requirements. NFC has reviewed the information and has conducted an on-site survey in Brazil. It is expected that the feasibility study report will be completed prior to the end of this year.

Prospect

After the disposal of Hill Talent Limited, the Company will concentrate all its resources on the Brazilian SAM Iron Ore Project. The Company will continue to manage the project progress and will seek to obtain all licenses and approvals for commencement of construction by the end of 2013 or in the first quarter of 2014. If all licenses and approvals for starting the construction are obtained in the first quarter of 2014, the mine is expected to commence operation by the end of 2015 or in the first half of 2016. The FOB operating cost (per ton of iron concentrate) of Block 8 is estimated to be approximately USD32. Regardless of the trend in global iron ore demand, iron concentrate products of SAM is highly competitive in terms of costs. The Directors expect that SAM Iron Ore Project could enhance the growth potential of the Group.

Corporate Governance

Throughout the six months ended 30 June 2013, 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.

As part of the Company's commitment to high standards of corporate governance, it has adopted all Code Provisions except the 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.

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

As at 30 June 2013, 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 to 5.67 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 the same date. Particulars and movements of the outstanding share options granted under the Scheme during the six months ended 30 June 2013 were as follows:

Name or category of participant	Number of share options					Outstanding as at 30/6/2013	Date of grant of share options (Note a)	Exercise period of share option	Exercise price per share option HK\$	Price immediately preceding the grant date of share options (Note b) HK\$	Price immediately preceding the exercise date of share options (Note c) HK\$
	Outstanding as at 01/01/2013	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period						
Director											
LIU Wei, William	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	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	-	-	-	-	124,000,000					
Employee	13,000,000	-	-	(8,000,000)	-	5,000,000	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
Total	438,000,000	-	-	(8,000,000)	-	430,000,000					

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) Share options granted on 6 May 2010 are subject to a vesting period and became 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 (31,925,000 share option "Lot A")	25%
After the second year (95,775,000 share option "Lot B")	75%

Share options granted on 25 November 2010 and 28 May 2012 under the Option Deed and Share Option Scheme respectively 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 2013, 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 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2013, the following persons, other than Directors or chief executives of the Company, 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	430,758,000	–	–	430,758,000	6.93

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.

Save as disclosed above, as at 30 June 2013, 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.

CONNECTED TRANSACTIONS

For the six months ended 30 June 2013, the Group has imputed interest on loans from ultimate holding company of approximately HK\$9.2 million.

As at 30 June 2013, Hong Bridge Capital Limited, the ultimate holding company of the Company, provided loans in principal amount aggregating HK\$329 million to the Group. The loans are interest free in the first two years from drawdown dates and bear interest at prime rate minus 1.25% per annum in the third year.

In March 2013, there was a HK\$500 million loan from a connected party. The loan is unsecured, interest-free and repayable upon the proceeds from convertible bonds issued on 5 March 2013 is received or within three months if the convertible bonds fail to complete. The whole amount was settled as part of the consideration of convertible bonds issued on 4 June 2013.

INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete or had any conflicts of interest with the business of the Group for the six months ended 30 June 2013.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the required standard of dealings set out in Rules 5.46 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 six months ended 30 June 2013.

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 2013 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

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

During the six months ended 30 June 2013, 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 Chief Executive Officer

Hong Kong, 7 August 2013