



HONBRIDGE HOLDINGS LIMITED

洪橋集團有限公司

(Stock Code: 8137)



**HALF YEAR**  
**2014** 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.**

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*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 2014, together with the comparative unaudited figures for the corresponding period in 2013, 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	
		2014 HK\$'000	2013 HK\$'000 (Restated)	2014 HK\$'000	2013 HK\$'000 (Restated)
Turnover	2	1,215	4,560	2,509	6,154
Direct operating expenses		–	(512)	–	(1,244)
Other operating income	3	315	817	324	4,998
Selling and distribution costs		(43)	(357)	(73)	(398)
Administrative expenses		(9,750)	(11,991)	(16,599)	(18,857)
Other expenses		(2,172)	(18,792)	(4,143)	(24,115)
Operating losses	4	(10,435)	(26,275)	(17,982)	(33,462)
Finance costs	6	(15,556)	(20,560)	(30,521)	(37,383)
Gain on bargain purchase	7	–	–	–	9,277,141
Gain on disposals of subsidiaries	8	–	73,188	20,702	73,188
<b>Profit (loss) before income tax</b>		<b>(25,991)</b>	<b>26,353</b>	<b>(27,801)</b>	<b>9,279,484</b>
Income tax expense	9	–	–	–	–
<b>Profit (loss) for the period</b>		<b>(25,991)</b>	<b>26,353</b>	<b>(27,801)</b>	<b>9,279,484</b>
<b>Other comprehensive income</b>					
Items that may be subsequently reclassified to profit or loss:					
Release of translation reserve upon disposals of subsidiaries		–	–	(4,599)	123,560
Exchange gain (loss) on translation of financial statements of foreign operations		192,127	(1,154,750)	682,602	(1,154,999)
<b>Other comprehensive income, net of tax</b>		<b>192,127</b>	<b>(1,154,750)</b>	<b>678,003</b>	<b>(1,031,439)</b>
<b>Total comprehensive income for the period</b>		<b>166,136</b>	<b>(1,128,397)</b>	<b>650,202</b>	<b>8,248,045</b>
<b>Profit (loss) for the period attributable to:</b>					
Owners of the Company		(25,991)	26,602	(27,801)	9,279,911
Non-controlling interests		–	(249)	–	(427)
		(25,991)	26,353	(27,801)	9,279,484
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		166,136	(1,117,546)	650,202	8,259,116
Non-controlling interests		–	(10,851)	–	(11,071)
		166,136	(1,128,397)	650,202	8,248,045
<b>Earnings (loss) per share attributable to the owners of the Company during the period</b>	11				
— Basic		HK(0.42) cent	HK0.43 cent	HK(0.45) cent	HK149.30 cents
— Diluted		N/A	N/A	N/A	HK139.51 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		6,144	6,793
Exploration and evaluation assets	12	16,169,899	15,140,419
Prepaid land lease payments		–	22,184
		<b>16,176,043</b>	15,169,396
<b>Current assets</b>			
Trade and bill receivables	13	169,345	250,779
Prepayments and other receivables		33,719	7,662
Cash and cash equivalents		36,184	86,142
		<b>239,248</b>	344,583
<b>Current liabilities</b>			
Trade and bill payables	14	167,429	237,032
Other payables, accrued expenses and receipts in advance		36,067	75,295
Borrowings	15	–	2,691
Loan from non-controlling interest of a subsidiary	16	–	6,800
		<b>35,752</b>	22,765
<b>Total assets less current liabilities</b>		<b>16,211,795</b>	15,192,161
<b>Non-current liabilities</b>			
Derivative financial liabilities		92,511	92,511
Loans from ultimate holding company	17	232,272	228,794
Convertible bonds	18	460,705	433,660
Deferred tax liabilities	19	5,374,920	5,044,761
Contingent consideration	20	1,590,274	1,590,274
		<b>7,750,682</b>	7,390,000
<b>Net assets</b>		<b>8,461,113</b>	7,802,161
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		6,216	6,216
Reserves		8,454,897	7,805,250
		<b>8,461,113</b>	7,811,466
Non-controlling interests		–	(9,305)
<b>Total equity</b>		<b>8,461,113</b>	7,802,161

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

	Equity attributable to owners of the Company								Non-controlling interests	Total equity	
	Share capital	Share premium	Treasury shares reserve	Other reserve	Share-based payment reserve	Translation reserve	Convertible bonds				Total
							equity reserve	Accumulated profit (loss)			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>2014</b>											
At 1 January 2014	6,216	679,331	(276,332)	49,263	136,873	(1,719,904)	258,836	8,677,183	7,811,466	(9,305)	7,802,161
Disposal of subsidiaries	-	-	-	(555)	-	-	-	-	(555)	9,305	8,750
Transactions with owners	-	-	-	(555)	-	-	-	-	(555)	9,305	8,750
Loss for the period	-	-	-	-	-	-	-	(27,801)	(27,801)	-	(27,801)
Other comprehensive income											
Currency translation	-	-	-	-	-	682,602	-	-	682,602	-	682,602
Release of translation reserve upon disposals of subsidiaries	-	-	-	-	-	(4,599)	-	-	(4,599)	-	(4,599)
Total comprehensive income	-	-	-	-	-	678,003	-	(27,801)	650,202	-	650,202
At 30 June 2014	6,216	679,331	(276,332)	48,708	136,873	(1,041,901)	258,836	8,649,382	8,461,113	-	8,461,113
<b>2013</b>											
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
Disposals of subsidiaries	-	-	-	-	-	-	(363,304)	321,307	(41,997)	(275,016)	(317,013)
Transaction with owners	-	-	-	-	(7,695)	-	(104,468)	329,002	216,839	(275,016)	(58,177)
Profit for the period	-	-	-	-	-	-	-	9,279,911	9,279,911	(427)	9,279,484
Other comprehensive income											
Currency translation	-	-	-	-	-	(1,144,355)	-	-	(1,144,355)	(10,644)	(1,154,999)
Release of translation reserve upon disposals of subsidiaries	-	-	-	-	-	123,560	-	-	123,560	-	123,560
Total comprehensive income	-	-	-	-	-	(1,020,795)	-	9,279,911	8,259,116	(11,071)	8,248,045
At 30 June 2013 (Restated)	6,216	679,331	-	45,475	349,686	(1,120,535)	258,836	8,561,685	8,780,694	(6,899)	8,773,795

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED

	Notes	Six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000
Net cash (used in) generated from operating activities		<b>(37,066)</b>	56,638
Net cash used in investing activities:			
Disposal of subsidiaries (net of cash and cash equivalent disposed)	8	<b>3,565</b>	110,588
Acquisition of a subsidiary (net of cash and cash equivalent acquired)		–	(501,046)
Other investing cash flows		<b>(16,543)</b>	(67,172)
		<b>(12,978)</b>	(457,630)
Net cash from financing activities:			
Proceeds on issue of convertible bonds		–	240,000
Loan from a connected party		–	500,000
Other financing cash flows		–	(99,244)
		–	640,756
Net (decrease) increase in cash and cash equivalents		<b>(50,044)</b>	239,764
Cash and cash equivalents, at beginning of period		<b>86,142</b>	2,360
Effect of foreign exchange rate changes		<b>86</b>	(27)
Cash and cash equivalents, at end of period		<b>36,184</b>	242,097
Analysis of the balance of cash and cash equivalents			
Cash at banks and in hand		<b>36,184</b>	242,097

Notes:

### 1. BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months and six months ended 30 June 2014 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 2013 annual report.

The accounting policies adopted in the 2013 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 2014. 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 products by the Group, which were not entered into and continue to be held for the purpose of the receipt or delivery of a nonfinancial item in accordance with the Group's expected purchase, sale or usage requirements. The revenue generated from trading commodity contracts in current period was approximately HK\$2,509,000 (2013: HK\$5,349,000), with gross sales and purchase amount of approximately HK\$1,542,851,000 (2013: HK\$1,414,053,000) and approximately HK\$1,540,342,000 (2013: HK\$1,408,704,000) respectively.

Revenue from sales of silicon products was approximately HK\$805,000 for the period ended 30 June 2013. No such revenue was recorded in current period.

### 3. OTHER OPERATING INCOME

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Bank Interest income	<b>24</b>	22
Imputed interest on loans to an acquiring business	–	3,624
Sundry income	<b>300</b>	1,352
	<b>324</b>	4,998

#### 4. OPERATING LOSSES

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
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	–	2,328
Cost of inventories recognised as expense	–	1,244
Depreciation and amortisation	<b>987</b>	662

#### 5. 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.



## 5. 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 2014

	Mineral resources exploration and trading HK\$'000	Silicon products HK\$'000	Total HK\$'000
Reportable segment revenue (external customers)	2,509	–	2,509
Reportable segment loss	(10,648)	–	(10,648)
Reportable segment assets	16,378,771	–	16,378,771
Reportable segment liabilities	1,787,862	–	1,787,862
Capital expenditure	16,489	–	16,489
Depreciation and amortisation	772	–	772

### Six months ended 30 June 2013

	Mineral resources exploration and trading HK\$'000 (Restated)	Silicon products HK\$'000	Total HK\$'000 (Restated)
Reportable segment revenue (external customers)	5,349	805	6,154
Reportable segment gain (loss)	9,270,472	(956)	9,269,516
Reportable segment assets	16,322,795	27,744	16,350,539
Reportable segment liabilities	1,877,696	42,998	1,920,694
Capital expenditure	20,774	–	20,774
Depreciation and amortisation	448	214	662

## 5. 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:

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2013 HK\$'000 (Unaudited) (Restated)
Reportable segment results	<b>(10,648)</b>	9,269,516
Gain on disposal of subsidiaries	<b>20,702</b>	73,188
Other operating income	<b>302</b>	3,852
Administrative expenses	<b>(6,138)</b>	(9,637)
Other operating expenses	<b>(1,498)</b>	(22,687)
Finance costs	<b>(30,521)</b>	(34,748)
Profit (loss) for the period	<b>(27,801)</b>	9,279,484
	<b>As at</b> <b>30 June</b> <b>2014</b> <b>HK\$'000</b> <b>(Unaudited)</b>	As at 31 December 2013 HK\$'000 (Audited)
Reportable segment assets	<b>16,383,542</b>	15,437,530
Property, plant and equipment	<b>820</b>	1,035
Prepayments and other receivables	<b>5,321</b>	5,320
Cash and cash equivalents	<b>25,608</b>	70,094
	<b>16,415,291</b>	15,513,979
Reportable segment liabilities	<b>1,792,632</b>	1,910,951
Other payables and accrued expenses	<b>1,138</b>	1,141
Convertible bonds	<b>460,705</b>	433,660
Derivatives financial liabilities	<b>92,511</b>	92,511
Loans from ultimate holding company	<b>232,272</b>	228,794
Deferred tax liabilities	<b>5,374,920</b>	5,044,761
	<b>7,954,178</b>	7,711,818

## 5. SEGMENT INFORMATION — CONTINUED

The Group's revenues from external customers are from Mainland China and its non-current assets are divided into the following geographical areas:

	<b>As at 30 June 2014 HK\$'000 (Unaudited)</b>	As at 31 December 2013 HK\$'000 (Audited)
<b>Non-current assets</b>		
Hong Kong	820	1,035
Mainland China	511	22,939
Latin America	16,174,712	15,145,422
Reportable segment non-current assets	<b>16,176,043</b>	15,169,396

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.

## 6. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Interest charges on other borrowings wholly repayable within five years	–	2,635
Imputed interest on convertible bonds	27,045	25,536
Imputed interest on loans from ultimate holding company	685	9,212
Interest charges on loans from ultimate holding company	2,791	–
	<b>30,521</b>	37,383

## 7. GAIN ON BARGAIN PURCHASE

On 28 March 2013, the Company 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"). As disclosed in the Company's first quarterly report 2013, based on a JORC compliant iron mineral resources report of SAM, the valuation of SAM's exploration rights estimated by an independent professional valuer was approximately USD3,629.0 million (equivalent to approximately HK\$28,172.0 million) as at 28 March 2013. Approximately USD2,117.3 million (equivalent to approximately HK\$16,436.5 million) gain on bargain purchase was recognised.

However, as new information about the facts and circumstances existing at the acquisition date has been obtained during the year ended 31 December 2013. Certain assumptions have been changed and adjustments on SAM's exploration rights and contingent consideration valuation are made retrospectively as if those adjustments had been made at the acquisition date.

## 7. GAIN ON BARGAIN PURCHASE — CONTINUED

After the adjustment, the exploration rights were revaluated by an independent valuer, Roma Appraisal Limited, and reviewed with another independent valuer, CBRE at approximately USD2,279.0 million (equivalent to approximately HK\$17,688.5 million). The gain on bargain purchase was adjusted from USD2,117.3 million (equivalent to approximately HK\$16,436.5 million) to USD1,195.2 million (equivalent to approximately HK\$9,277.1 million) accordingly. The gain on bargain purchase for the period ended 30 June 2014 as disclosed in this report was restated accordingly.

More details have been disclosed in the 2013 annual report.

## 8. GAIN ON DISPOSALS OF SUBSIDIARIES

On 17 January 2014, the Company disposed its entire interest in Divine Mission Holdings Limited, a 60% owned subsidiary, to an independent third party for a cash consideration of HK\$3,600,000. Divine Mission Holdings Limited indirectly held 100% equity interest in Jining Kailun Sog-Si Materials Co., Ltd. (collectively as "Divine Mission Group") which engaged in production and research of highly purified silicon.

The assets and liabilities of Divine Mission Group at the date of disposal were as follows:

	HK\$'000
Net assets disposed of:	
Prepaid land lease payments	22,184
Bank and cash balances	35
Other payables and receipt in advance	(23,064)
Trade payables	(10,917)
Loan from non-controlling interest of a subsidiary	(6,800)
Borrowings	(2,691)
	<u>(21,253)</u>
Non-controlling interests	9,305
Release of other reserve upon disposal	(555)
Reclassification of cumulative translation reserve upon disposal	(4,599)
Gain on disposal	20,702
Total consideration	<u>3,600</u>
Satisfied by:	
Cash	3,600
	<u>3,600</u>
Net cash inflow arising on disposal:	
Total cash consideration received	3,600
Bank balances and cash disposal of	(35)
	<u>3,565</u>

On 6 June 2013, the Group disposed Hill Talent Limited for a total consideration of HK\$729.8 million and approximately HK\$73.2 million gain on disposals of subsidiaries was recognised for the period ended 30 June 2013. More details have been set out in the 2013 annual report.

## 9. 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 six months ended 30 June 2014 (six months ended 30 June 2013: Nil). The People's Republic of China (the "PRC") and Brazil enterprise income tax is calculated at the rates prevailing in the relevant region.

Taxation on profits assessable elsewhere have been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during both periods. No provision for overseas income tax has been provided by the Group as the Group had no estimated assessable profit arising in or derived in the jurisdictions in which the Group operates.

## 10. DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

## 11. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings per share for the three months and six months ended 30 June 2014 are based on the loss attributable to the owners of the Company of approximately HK\$25,991,000 and HK\$27,801,000 respectively (profit for the three months and six months ended 30 June 2013: HK\$26,602,000 and HK\$9,279,911,000 respectively) and on 6,215,679,716 weighted average number of shares.

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 HK\$9,305,448,000 were used after taking account into the share options and convertible bonds which have a dilutive impact. No such figure was presented for three months and six months ended 30 June 2014 and three months ended 30 June 2013 because the impact of the share options and convertible bonds was anti-dilutive.

## 12. 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.

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 2014, there was an addition of exploration and evaluation assets of approximately HK\$16.4 million. The remaining movement was solely due to the foreign exchange difference during the period.

### 13. 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.

	<b>As at 30 June 2014 HK\$'000 (Unaudited)</b>	As at 31 December 2013 HK\$'000 (Audited)
Trade and bill receivables, gross	<b>181,799</b>	263,599
Less: Impairment	<b>(12,454)</b>	(12,820)
Trade receivables, net	<b>169,345</b>	250,779
0 to 30 days	–	77,399
91 to 180 days	<b>169,345</b>	120,036
Over 180 days	–	53,344
	<b>169,345</b>	250,779

All trade receivables are subject to credit risk exposure. At each of the reporting dates, the Group reviews receivables for evidence of impairment on both individual and collective basis. As at 30 June 2014, the Group determined trade receivables of HK\$12,454,000 (31 December 2013: HK\$12,820,000) as impaired. The impaired trade receivables are due from the customer experiencing financial difficulties.

### 14. TRADE AND BILL PAYABLES

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

	<b>As at 30 June 2014 HK\$'000 (Unaudited)</b>	As at 31 December 2013 HK\$'000 (Audited)
Trade and bill payables	<b>167,429</b>	237,032
	<b>167,429</b>	237,032
0–30 days	–	52,824
31–60 days	–	119,948
91–180 days	<b>167,429</b>	–
Over 180 days	–	64,260
	<b>167,429</b>	237,032

## 15. BORROWINGS

	Original currency	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Government loans — unsecured	RMB	–	2,691
<b>Total</b>		–	2,691

Government loans comprise an interest free loan of RMB1,100,000 (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 are unsecured and interest-free.

## 16. LOAN FROM NON-CONTROLLING INTEREST OF A SUBSIDIARY

The loan is unsecured, interest-free and repayable on demand. The loan was disposed along with the Divine Mission Group on 17 January 2014. More details are set up in note 8 of this report.

## 17. 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 period end date.

## 18. CONVERTIBLE BONDS

On 4 June 2013, the Company issued a convertible bonds in the principal amount of HK\$740,000,000 to Geely International (Hong Kong) Limited. The convertible bonds are interest-free and convertible into 2,000,000,000 ordinary shares of the Company and not redeemable by the Company. Geely International (Hong Kong) Limited has the discretion on redemption after the second anniversary of the date of issue of the convertible bonds.

The liability component of the convertible bonds is initially recognised at its fair value and is subsequently measured at amortised cost. The imputed interest expenses recognised for the six months ended 30 June 2014 were HK\$27,045,000 (2013: HK\$25,536,000).

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 2013 annual report.

## 19. DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under liability method using the tax rates applicable in the tax jurisdiction concerned. The amount was mainly arising from the fair value adjustment of exploration and evaluation assets at the date of acquisition.

## 20. CONTINGENT CONSIDERATION

The contingent consideration payables represent the fair value of the obligation for the consideration payable in accordance with the SAM Agreement.

## 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group 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 assets or liabilities are categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

### Financial liabilities measured at fair value through profit or loss

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 31 December 2013 and 30 June 2014</b>				
Derivative financial liabilities	–	–	92,511	92,511
Contingent consideration payables	–	–	1,590,274	1,590,274
	–	–	1,682,785	1,682,785

During the six months ended 30 June 2014, 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 2014, the Group's turnover decreased from HK\$6.2 million to HK\$2.5 million compared to the same period in prior year, which was mainly attributable to the decrease in margin from trading commodity contracts. Besides, Xianglan Brazil did not contribute any turnover to the Group (30 June 2013: HK\$0.8 million) as it was disposed in June 2013.

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

### Liquidity and the Use of Proceeds from Convertible Bonds

During the six months ended 30 June 2014, the operation of the Group was mainly financed by the proceeds received from issuance of convertible bonds and the loans from the substantial shareholder of the Group.

For the HK\$740 million proceed raised from the convertible bonds issued on 6 June 2013, approximately HK\$500 million was used to repay a short term loan which was borrowed to settle the HK\$504.9 million second instalment payment for the acquisition of SAM. Besides, HK\$52 million and HK\$110 million was used as a working capital of the SAM iron ore project and repayment of loans from ultimate holding company respectively for the period ended 31 December 2013. For the current period ended 30 June 2014, an additional HK\$40 million working capital was provided to SAM. Except the specific usage mentioned above, the general working capital of the Group for the period ended 31 December 2013 and 30 June 2014 was also mainly funded by the proceed. The remaining proceed will be used as the working capital of the Group.

As at 30 June 2014, the Group had net current assets of HK\$35.8 million (31 December 2013: net current assets of HK\$22.8 million). Current assets comprised bank balances and cash of HK\$36.2 million, trade and bill receivables of HK\$169.3 million and prepayments and other receivables of HK\$33.7 million. Current liabilities comprised trade and bill payables of HK\$167.4 million, other payables and accrued expenses and receipts in advance of HK\$36.1 million.

The net current assets increased by approximately HK\$13.0 million. It was mainly due to the disposal HK\$23.1 million other payables and receipt in advance, HK\$6.8 million loan from non-controlling interest of a subsidiary and HK\$2.7 million borrowings along with the disposal of Divine Mission Group. There was also a decrease in trade and bill payables of HK\$69.6 million, a decrease in other payables of approximately HK\$39.2 million and increase in prepayments and other receivables of HK\$26.1 million. Their impact were net-off by the decrease in cash and cash equivalent of HK\$50.0 million and the decrease in trade and bill receivables of HK\$81.4 million.

As at 30 June 2014, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 0.08 (31 December 2013: 0.09).

### Capital Commitments

As at 30 June 2014, 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\$6.6 million.

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

### Contingent Consideration and Liabilities — Continued

As at period end date, the first and the second instalment payment amount to USD75 million (equivalent to approximately HK\$582 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.

The valuation of the contingent consideration for the third to fifth instalments payment was approximately USD205 million (equivalent to approximately HK\$1,590 million).

As at period ended 30 June 2014, saved as disclosed above the Group did not have any significant contingent liabilities.

### Acquisition of Triumphant Glory Group

The Group has been seeking opportunities for investment and cooperation in the new energy and resources sector.

In January, the Group disposed the photovoltaic business which recorded losses for the previous three fiscal years. It will be difficult for SAM Iron Mine Project, which is still under preliminary work, to contribute actual earning in the coming years. Limited by the scarce investment and complicated domestic and overseas trading environment, it will be hard for Shanghai Hongying Trading to expand its profitable business extensively. Therefore, the Group has to identify projects with promising prospects for acquisition.

On 2 July 2014 (after trading hours), the Company (as purchaser) and Geely International (Hong Kong) Limited, Good Cheer Holdings Limited and Leads Top Limited (as Vendors) entered into an acquisition agreement pursuant to which the Company conditionally agreed to acquire and accept the assignment of, and the Vendors conditionally agreed to sell and assign, the Sale Shares and the Sale Loan at the Consideration of HK\$634,760,000. The Sale Shares represent 90.68% of the issued share capital of Triumphant Glory Investments Limited. The Sale Loan represents the aggregate amount owing by Triumphant Glory Investments Limited and its wholly owned subsidiary Shandong Forever New Energy Co., Ltd. ("Shandong Forever New Energy") (collectively as "Triumphant Glory Group") to Vendors, which amounts to approximately HK\$157,922,000. The consideration will be satisfied by the issue and allotment of 428,891,890 Consideration Shares at an issue price of HK\$1.48 per Consideration Share.

Shandong Forever New Energy is a company established in 2010 in Zoucheng, Shandong Province, the PRC, principally engaged in lithium battery research, production and sales in the PRC. It commenced trial production in mid-2012 and mass production from late 2013.

Currently, the production plant of Shandong Forever New Energy covers a total area of approximately 130,000 square meters and its current factory and office facilities covers an area of about 70,000 square meters. The current production capacity of Shandong Forever New Energy amounts to 150,000 kWh of lithium iron phosphate battery or 225,000 kWh of ternary lithium battery annually. Following the Acquisition, depending on the production needs and funds available, the Group may consider to further expand the production capacity of Shandong Forever New Energy by stages.

## MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

### Acquisition of Triumphant Glory Group — Continued

The products of Shandong Forever New Energy mainly includes 10Ah, 20Ah, 50Ah, 66Ah and 100Ah lithium battery cells. By using its battery cells, Shandong Forever New Energy also provides battery pack assembly service in accordance with specifications and requirements set out by customers, and such products can be used in electric vehicle, or serve as electricity storage units in wind and solar power plants and power grids, power back up in communication base station and various kinds of mobile devices. According to Shandong Forever New Energy, the production of Shandong Forever New Energy has attained consistency with scrap rate of less than 3%, and the battery products of Shandong Forever New Energy have good performance in terms of power density and life cycle.

Currently, the products of Shandong Forever New Energy are mainly sold to Kandi Electric Vehicles Group Co., Ltd. (“Zhejiang Kandi”) and Jinhua Kandi New Energy Vehicle Co., Ltd. (“Kandi New Energy”) for their production of electric and hybrid vehicles. Zhejiang Kandi is a joint venture company between the Geely Automobile Holdings Limited and the Kandi Group, and Zhejiang Kandi is principally engaged in the investment, research and development, production, marketing and sales of electric vehicles in the PRC with the “KANDI” brand. Kandi New Energy is a 50% owned company of Kandi Technologies Group, Inc., and is principally engaged in research and development, production and sales of electric vehicles in the PRC. Apart from Zhejiang Kandi and Kandi New Energy, Shandong Forever New Energy’s products have also passed testing conducted by certain other automobile companies. According to Shandong Forever New Energy, it has received purchase orders for about 14,000 battery packs (composed of about 350,000 lithium iron phosphate battery cells), of which the total contract value is approximately RMB199.8 million (inclusive of 17% value-added tax (“VAT”) amounting to RMB29.0 million). Furthermore, Shandong Forever has received purchase orders for not less than 750,000 and 1,250,000 lithium iron phosphate battery cells for the years ending 31 December 2015 and 2016, respectively. The then contract values will be determined with reference to the prevailing market price after negotiation. Assuming the unit price in 2015 and 2016 is the same as that of purchase order in 2014, for indication purpose only, the contract values for the years ending 31 December 2015 and 2016 will be approximately RMB317 million (inclusive of 17% VAT amounting to RMB46.0 million) and approximately RMB528 million (inclusive of 17% VAT amounting to RMB76.7 million), respectively.

Mr. He Xue Chu (“Mr. He”), being an executive Director and a controlling shareholder of Hong Bridge Capital Limited, owns 35% interest in Good Cheer Holdings Limited. As such, Good Cheer Holdings Limited is an associate of Mr. He and is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction for the Company and is subject to the reporting, announcement and the Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules. A circular is expected to dispatch to shareholders in late August and the acquisition is expected to complete in September if independent shareholders approve the acquisition.

The acquisition of lithium battery project marks a milestone to the Group in entering new energy sector. As the Group does not have sufficient cash, the consideration of the acquisition will be satisfied by the issue of consideration shares, and it is expected that there will be no material change in the liquidity position of the Group.

### Progress of SAM

Mineral resources of SAM are distributed over 9 blocks (Block 5, 6, 7, 8, 9, 10, 11, 12 and 13). As at the date of this report, SAM held 19 Rights covering a total area of approximately 27,000 hectares. SAM also submitted application for mining rights for 2 exploration rights in Block 8, covering an area of approximately 2,600 hectares. Besides, SAM has submitted application for 42 additional Exploration Rights covering an area of approximately 52,200 hectares, subject to the approval of National Department of Mineral Production (“DNPM”) in Brazil. Lastly, SAM have filed bid for 19 Exploration Rights covering an area of approximately 30,000 hectares and is pending tender results.

## MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

### Progress of SAM — Continued

SAM plans to construct a beneficiation plant in Block 8 (phase I) with an annual capacity of 25 million tons of 65% or above Fe concentrate, which mainly includes infrastructure facilities such as mining and beneficiation facilities, utilities, slurry pipelines and port for iron ore. Block 8 contains approximately 2,614 million tons of measured and indicated run-of-mine (“ROM”) based on the JORC standard, which translates into approximately 650 million tons of iron concentrate for a lifespan of around 28 years. The Initial Scope of Work 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. According to local topographic features, Block 8 was named as Vale do Rio Pardo.

The detailed exploration drilling for three exploration rights of Block 7 was completed and the final exploration report was submitted to DNPM on 17 May, 28 May 2013 and 7 March 2014 respectively. It is estimated that potential resources level in Block 7 could be up to approximately 5,100 million tons of ROM in accordance with the Brazilian mining standards (non-JORC standard).

As at 30 June 2014, SAM has approximately 40 staff in Brazil, and has engaged over 20 professional consultancies and laboratories in Brazil, China, Chile and USA to assist in 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”): SAM may apply to the government for the permit if land owners across the pipeline route agree the pipeline to pass through their properties. SAM is in preliminary negotiations with land owners and will start the agreement signing procedures after preliminary license (LP) for Block 8 is granted and the pipeline route is confirmed.

Preliminary License (LP): Environmental impact assessment (EIA) has been submitted to Brazilian Institute of Environment and Renewable Natural Resources (“IBAMA”), the government agency responsible for environmental licensing of the SAM project, on 3 July 2012 and was accepted on 21 August 2012. The public hearings were completed in January 2013. IBAMA subsequently held two technical surveys in the Project area, between days 5 to 10 May, 2013 and 26 to 28 August 2013. On 12 December 2013, IBAMA issued technical opinions requesting further clarification/detailing on some points in the EIA. On 27 February 2014, SAM submitted IBAMA some supplementary documents and further elaborations. Pending final review and granting of license. On 23 May 2014, SAM received a summons from Minas Gerais Federal Courts in relation to a civil action against SAM and IBAMA, claiming SAM environmental licensing application is not supported with sufficient details and analysis and does not comply with relevant laws. The Group appointed a Brazilian legal representative who is experienced in the area to defend SAM. According to the legal opinion of a Brazilian legal firm, SAM application is in accordance with relevant laws and the civil action against SAM is without concrete evidence to support. IBAMA also issued a document which confirmed the licensing process of SAM is in accordance with the Brazilian environmental legislation and defended against the civil action along with SAM. The Group believe this civil action does not have material impact on the overall plan and progress of the Vale do Rio Pardo project.

Installation License (“LI”): SAM is still in the process of preparing the basic environment plan (PBA), which is one of the documents required for LI application.

## MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

### Progress of SAM — Continued

#### 1. Licenses and Approvals for Commencement of Construction — Continued

Mining License (“PL”): Economic development plan report was submitted in 2013, pending review and granting of license.

Landowners Expropriation Authorization: The Minas Gerais state government in Brazil has issued a public utility decree (“DUP”) on 22 January 2014, which declares the land including attachments and young crops above the cities, which SAM iron ore project pipeline under phase one construction will pass through, as land for public facilities and creating easements. The decree also authorises the relevant bodies to perform land acquisition and creating easements by claiming the urgency of project as stipulated in the decree when necessary. As part of the pipeline needs to pass through Bahia state, SAM is seeking Bahia state to issue similar public utility decree.

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 environmental impact studies (EIA) for Vacaria dam is currently in the process.

ANTAQ Port Operating License: The LP was granted to the Port by IBAMA in November 2012. Bahia state government is expected to start the port construction and operation public tender in the coming months. SAM is in the process of preparing the document for bidding together with two other local corporates. The tender result is expected to be announced in 2014.

#### 2. Construction Phase I

For the construction of Block 8 (phase I), after detailed exploration drilling and beneficiation test, detailed engineering design for mining, beneficiation, water supply, electricity supply, pipelines and ports has commenced. 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 half of 2015, the mine is expected to commence operation by 2018.

As the relevant government authorities require more time in reviewing the relevant applications, the time to obtain the approvals is already lagging behind the estimates made by the management earlier. The Company is actively seeking to obtain all the license and commence construction as soon as possible.

The estimation by the management on the capital expenditure (“CAPEX”) is approximately USD3.8 billion, of which approximately USD50 million would be required for the preliminary works from now until all approvals are obtained, F.O.B. 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. The report was prepared by China ENFI Engineering Corporation ("ENFI"), an affiliate of NFC. NFC and ENFI has reviewed the information and has conducted an on-site survey in Brazil. The feasibility study report has been completed during the period ended 30 June 2014.

As of the date of this report, the Group has provided funding with principal amount of approximately USD58 million to SAM through shareholders' loans and increase of registered capital in SAM.

#### **Prospect**

Benefited from the increasing public awareness of environmental protection and various incentive policies implemented by different governments from time to time, new energy vehicles, especially electric vehicles, are currently facing a historic opportunity for rapid development. The core technologies of electric vehicles include power battery system, motor drive system and vehicle electronic control system. The acquisition of the lithium battery project enables the Group to possess one of the core technologies of electric vehicles and secure return from this thriving industry by providing the power system to electric motors enterprises.

The Group intends to look for and perform research on lithium battery related industries continuously.

The Company will continue to manage the progress of SAM Iron Ore Project and will seek to obtain all licenses and approvals for commencement of construction in the first half of 2015. If all licenses and approvals for starting the construction are obtained in the first half of 2015, the mine is expected to commence operation by 2018. 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.

The overall business strategy of the Group is the dual development of new energy and resources, creating value for our shareholders.

#### **Corporate Governance**

Throughout the six months ended 30 June 2014, the Company complied with all Code Provisions set out in Appendix 15 of the GEM Listing Rules.

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

As at 30 June 2014, 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:

### Long positions in the ordinary shares of HK\$0.001 each of the Company

Name of director	Number of shares in the Company				Total	Approximate percentage of shareholding (%)
	Beneficial owner	Interest of spouse	Interest of controlled corporation	Number of Share option <sup>2</sup>		
HE Xuechu	–	22,460,000	4,065,000,000 <sup>1</sup>	–	4,087,460,000	65.76
LIU Wei, William	–	–	–	40,000,000	40,000,000	0.64
SHI Lixin	–	–	–	30,000,000	30,000,000	0.48
YAN Weimin	30,000,000	–	–	30,000,000	60,000,000	0.97
ANG Siu Lun, Lawrence	–	–	–	15,000,000	15,000,000	0.24
CHAN Chun Wai, Tony	–	–	–	3,000,000	3,000,000	0.05
FOK Hon	–	–	–	3,000,000	3,000,000	0.05
MA Gang	–	–	–	3,000,000	3,000,000	0.05

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.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2014, 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.

## 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 2014 were as follows:

Name or category of participant	Number of share options					Outstanding as at 30/06/2014	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 HK\$
	Outstanding as at 01/01/2014	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period						
<b>Director</b>											
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	5,000,000	-	-	-	-	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
Total	130,000,000	-	-	-	-	130,000,000					



## 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:

<b>From the date of grant of share options</b>	<b>Exercisable percentage</b>
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.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2014, 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 2014, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

### 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
Geely International (Hong Kong) Limited	2,000,000,000 (Note 4)	–	–	2,000,000,000	32.18
Zhejiang Geely Holding Group Co., Ltd. (Note 5)	–	–	2,000,000,000	2,000,000,000	32.18
LI Shufu (Note 6)	103,064,000	–	2,000,000,000	2,103,064,000	33.83
Brilliant People Limited	330,758,000	–	–	330,758,000	5.32

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 2,000,000,000 shares held by Geely International (Hong Kong) Limited represent HK\$740,000,000 convertible notes with a conversion price of HK\$0.37 per conversion share of the Company.
- Zhejiang Geely Holding Group Co., Ltd. holds 100% equity interest of Geely International (Hong Kong) Limited.
- Mr. LI Shufu is the controlling shareholder holding 90% equity interest of Zhejiang Geely Holding Group Co., Ltd.

Save as disclosed above, as at 30 June 2014, 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 2014, the Group has imputed interest and interest charges on loans from ultimate holding company of approximately HK\$0.7 million and HK\$2.8 million respectively.

As at 30 June 2014, Hong Bridge Capital Limited, the ultimate holding company of the Company, provided loans in principal amount aggregating HK\$219.4 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.

### 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 2014.

### 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 2014.

### 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 2014 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 2014, 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*