

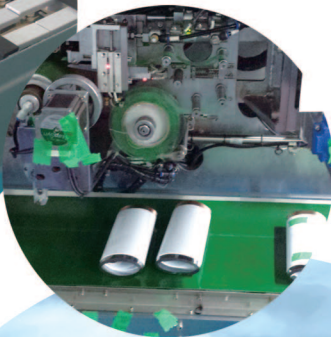


HONBRIDGE HOLDINGS LIMITED
洪橋集團有限公司

(Stock Code: 8137)

2014

Third Quarterly Report



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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 QUARTERLY RESULTS

The board of directors (the "Board") of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and nine months ended 30 September 2014, together with the comparative unaudited figures for the corresponding periods in 2013, as follows:

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

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2014 HK\$'000	2013 HK\$'000 (Restated)	2014 HK\$'000	2013 HK\$'000 (Restated)
Turnover	2	577	2,696	3,086	8,850
Direct operating expenses		–	(1,425)	–	(2,669)
Other operating income	3	54	103	378	5,101
Selling and distribution costs		(34)	(11)	(107)	(409)
Administrative expenses		(7,917)	(9,895)	(24,516)	(28,752)
Other expenses		(3,940)	(1,745)	(8,083)	(25,860)
Operating losses	4	(11,260)	(10,277)	(29,242)	(43,739)
Finance costs	5	(16,010)	(14,987)	(46,531)	(52,370)
Gain on bargain purchase	6	–	–	–	9,277,141
Gain on disposals of subsidiaries	7	–	–	20,702	73,188
Profit (loss) before income tax		(27,270)	(25,264)	(55,071)	9,254,220
Income tax expense	8	–	–	–	–
Profit (loss) for the period		(27,270)	(25,264)	(55,071)	9,254,220
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Release of translation reserve upon disposals of subsidiaries		–	–	(4,599)	123,560
Exchange loss on translation of financial statements of foreign operations		(1,026,192)	(1,172,374)	(343,590)	(2,327,373)
Total comprehensive income for the period		(1,053,462)	(1,197,638)	(403,260)	7,050,407
Profit (loss) for the period attributable to:					
Owners of the Company		(27,270)	(25,067)	(55,071)	9,254,844
Non-controlling interests		–	(197)	–	(624)
		(27,270)	(25,264)	(55,071)	9,254,220
Total comprehensive income attributable to:					
Owners of the Company		(1,053,462)	(1,197,393)	(403,260)	7,061,723
Non-controlling interests		–	(245)	–	(11,316)
		(1,053,462)	(1,197,638)	(403,260)	7,050,407
Earnings (loss) per share attributable to the owners of the Company during the period	10				
— Basic		HK(0.44) cent	HK(0.40) cent	HK(0.88) cent	HK148.90 cents
— Diluted		N/A	N/A	N/A	HK127.19 cents

Notes:

1. BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months and nine months ended 30 September 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 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. The revenue generated from trading commodity contracts in current period was approximately HK\$3,086,000 (2013: HK\$6,718,000), with gross sales and purchase amount of approximately HK\$2,569,518,000 (2013: HK\$2,151,086,000) and approximately HK\$2,566,432,000 (2013: HK\$2,144,368,000) respectively.

Revenue from sales of silicon products was approximately HK\$2,132,000 for the period ended 30 September 2013. No such revenue was recorded in current period.

3. OTHER OPERATING INCOME

	Nine months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank Interest income	78	29
Imputed interest on loans to an acquiring business	–	3,624
Sundry income	300	1,448
	378	5,101

4. OPERATING LOSS

	Nine months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Operating loss is 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	1,744	2,328
Cost of inventories recognised as expense	–	2,669
Depreciation and amortisation	1,486	1,215

5. FINANCE COSTS

	Nine months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Interest charges on other borrowings wholly repayable within five years	–	2,650
Imputed interest on convertible bonds	41,193	38,072
Imputed interest on loans from ultimate holding company	855	11,648
Interest charges on loans from ultimate holding company	4,483	–
	46,531	52,370

6. 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 were obtained during the year ended 31 December 2013. Certain assumptions were changed and adjustments on SAM's exploration rights and contingent consideration valuation have been made retrospectively as if those adjustments had been made at the acquisition date.

6. GAIN ON BARGAIN PURCHASE — CONTINUED

After the adjustments, 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 September 2013 as disclosed in this quarterly report was restated accordingly.

More details have been disclosed in the 2013 annual report.

7. 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\$3.6 million. Divine Mission Holdings Limited indirectly held 100% equity interest in Jining Kailun Sog-Si Materials Co., Ltd. which engaged in production and research of highly purified silicon. Approximately HK\$20.7 million gain on disposal was recognised upon disposal of Divine Mission Holdings Limited.

On 6 June 2013, the Group disposed Hill Talent Limited and its subsidiaries which engaged in manganese ore exploration and mineral trading 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 September 2013. More details have been set out in the 2013 annual report.

8. INCOME TAX EXPENSE

No Hong Kong Profits Tax was provided as the Group had no estimated assessable profit arising in or derived from Hong Kong during the three months and nine months ended 30 September 2014 (three months and nine months ended 30 September 2013: Nil).

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.

9. DIVIDEND

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

10. EARNINGS (LOSS) PER SHARE

The calculation of basic loss per share for the three months and nine months ended 30 September 2014 are based on the loss of approximately HK\$27,270,000 and HK\$55,071,000 attributable to the owners of the Company respectively (three months and nine months ended 30 September 2013: loss of approximately HK\$25,067,000 and earnings of approximately HK\$9,254,844,000) and on the weighted average number of 6,238,989,058 shares and 6,223,534,879 shares respectively (three months and nine months ended 30 September 2013: weighted average number of 6,215,679,716 shares in issue).

10. EARNINGS (LOSS) PER SHARE — CONTINUED

For diluted earnings per share for the nine months ended 30 September 2013, 7,306,453,163 weighted average number of shares and adjusted profit of approximately HK\$9,292,916,000 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 September 2013, three months and nine months ended 30 September 2014 because the impact of the share options and convertible bonds was anti-dilutive.

11. 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 equity reserve	Accumulated profit (loss)			Total
2014											
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
Issue of shares	429	587,153	-	-	-	-	-	-	587,582	-	587,582
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	12,200	12,200
Disposals of subsidiaries	-	-	-	(555)	-	-	-	-	(555)	9,305	8,750
Transactions with owners	429	587,153	-	(555)	-	-	-	-	587,027	21,505	608,532
Loss for the period	-	-	-	-	-	-	-	(55,071)	(55,071)	-	(55,071)
Other comprehensive income											
Currency translation	-	-	-	-	-	(343,590)	-	-	(343,590)	-	(343,590)
Release of translation reserve upon disposals of subsidiaries	-	-	-	-	-	(4,599)	-	-	(4,599)	-	(4,599)
Total comprehensive income	-	-	-	-	-	(348,189)	-	(55,071)	(403,260)	-	(403,260)
At 30 September 2014	6,645	1,266,484	(276,332)	48,708	136,873	(2,068,093)	(258,836)	8,622,112	7,995,233	12,200	8,007,433
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
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	-	-	-	-	-	-	-	9,254,844	9,254,844	(624)	9,254,220
Other comprehensive income											
Currency translation	-	-	-	-	-	(2,316,681)	-	-	(2,316,681)	(10,692)	(2,327,373)
Release of translation reserve upon disposals of subsidiaries	-	-	-	-	-	123,560	-	-	123,560	-	123,560
Total comprehensive income	-	-	-	-	-	(2,193,121)	-	9,254,844	7,061,723	(11,316)	7,050,407
At 30 September 2013 (Restated)	6,216	679,331	-	45,475	349,686	(2,292,861)	258,836	8,536,618	7,583,301	(7,144)	7,576,157

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the nine months ended 30 September 2014, the Group's turnover decreased from approximately HK\$8.9 million to HK\$3.1 million compared to the same period in prior year, which was mainly attributable to the decrease in margin on commodity trading business. On the other hand, no turnover was recognised from sales of silicon products as the business was disposed on 17 January 2014 while HK\$2.1 million silicon products sales was recorded for the period ended 30 September 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 nine months ended 30 September 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 Company. 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 September 2014, an additional HK\$47 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 September 2014 was also mainly funded by the proceeds. The remaining proceeds will be used as the working capital of the Group.

As at 30 September 2014, the Group had net current liabilities of HK\$449.9 million (31 December 2013: net current assets of HK\$22.8 million). Current assets mainly comprised of bank balances and cash of HK\$86.2 million, trade and bill receivables of HK\$243.4 million, other receivables and prepayment of HK\$61.9 million and inventories of HK\$42.6 million. Current liabilities mainly comprised of convertible bonds and its embedded derivative of approximately HK\$567.4 million, trade and bill payables of HK\$252.6 million, other payables and accrued expenses and receipts in advance of HK\$38.9 million and bank borrowing of HK\$25.2 million.

The change from net current assets position to net current liabilities position was mainly due to the reclassification of convertible bonds and its embedded derivative of approximately HK\$567.4 million from non-current to current liabilities and acquisition of Triumphant Glory Investments and its subsidiary (collectively referred to as the "Triumphant Glory Group"). As at period end date, Triumphant Glory Group has net current assets of approximately HK\$96.4 million, which mainly represented by HK\$42.6 million inventories, trade receivables of HK\$71.8 million, bank balances of HK\$71.6 million, prepayment and other receivables of HK\$19.9 million, trade and bills payables of HK\$82.2 million and bank borrowing of HK\$25.2 million. Besides, 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 was disposed along with Divine Mission Group. Their impacts were mainly net-off by the decrease in cash and cash equivalent of HK\$26.9 million, when excluding the bank balances of Triumphant Glory Group.

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

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Capital Commitments

As at 30 September 2014, the Group has no contracted but not provided for capital commitments in relation to the acquisition of property, plant and equipment and exploration and evaluation assets.

Contingent Consideration and Liabilities

On 5 March 2010, Lit Mining and VNN (as the sellers), Esperanto 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 (the “SPA”) 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\$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 30 September 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 Limited to expand its profitable business extensively. Therefore, the Group has to identify projects with promising prospects for acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Acquisition of Triumphant Glory Group — Continued

On 2 July 2014, 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 "Acquisition"). 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.

Shandong Forever New Energy is a company established in 2010 in Zoucheng, Shandong Province, the People's Republic of China (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. Subject to the availability of the necessary funding, the Company plans to build new production line in Shandong Forever New Energy to expand its annual production capacity from 150,000 kWh to about 300,000 kWh in or around late 2014 or the beginning of 2015. It is expected that such new production line could commence production by the end of 2015. It is estimated that the capital expenditure for building such new production line would amount to approximately RMB180 million.

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. 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.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Acquisition of Triumphant Glory Group — Continued

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 New Energy 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.

The acquisition was completed on 26 September 2014 after independent shareholders approved the Acquisition on 19 September 2014. The acquisition of lithium battery project marks a milestone to the Group in entering new energy sector.

According to the unaudited nine months ended 30 September 2014 management accounts, Shandong Forever New Energy has recognised pre-acquisition revenue and profit after tax of approximately RMB85.4 million (equivalent to approximately HK\$107.6 million) and RMB1.9 million (equivalent to approximately HK\$2.4 million) respectively.

Cooperation framework agreement on new energy automobile production base

On 16 October 2014, the Company has entered into a non-legally binding cooperation framework agreement (the “Cooperation Framework Agreement”) with the New District Administrative Committee of Wuxi Municipal People’s Government, Jiangsu Province of the PRC (the “Wuxi New District Administrative Committee”) and Sunbase International (Holdings) Limited (“Sunbase Holdings”). According to the Cooperation Framework Agreement, the Company intends to establish a new energy automobile production base in the New District of Wuxi (the “production base”) jointly with Sunbase Holdings. The initial annual production target is 200,000 new energy vehicles, 3,000,000 kWh power batteries, as well as around 200,000 sets of core components such as electric motor system and electronic vehicle control module. Wuxi New District Administrative Committee and Sunbase Holdings will be responsible for setting up a special industrial fund of approximately RMB5 billion to support the establishment of the Production Base and Wuxi New District Administrative Committee will proactively provide land, tax, subsidies and other supports according to the PRC national policy.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

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 exploration 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 38 additional Exploration Rights covering an area of approximately 46,700 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.

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 September 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 held 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 about the EIA. On 27 February and 24 October 2014, SAM submitted IBAMA some supplementary documents and further elaborations. Pending final review and granting of license. At the request of IBAMA, SAM is also planning a public hearing session which, subject to the confirmation of IBAMA, is expected to be held early next year.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Progress of SAM — Continued

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

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 plaintiff has submitted supplemental information to the court on 15 October 2014 according to the solicitation of the judge. 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.

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 and LI were granted to the Port by IBAMA in November 2012 and September 2014 respectively. According to the latest tender document, Porto Sul consists of a private port as well as a public port owned by the government of the State of Bahia (“Bahia Government”) to transport iron ore, feed, soybeans, ethanol, fertilizer and other bulk cargo. The infrastructure of the project includes an on-shore area of approximately 1,224.9 hectares, a bridge of 3,500 meters long, a pier, a breakwater, a quarry and other facilities related to Porto Sul. SAM is currently working with local consortia to follow the issues after the grant of LI, which include the preliminary work prior to the port tender and in depth evaluation on various terms and conditions in the latest tender document. Bahia state government is scheduled to start the port construction and operation public tender in December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Progress of SAM — Continued

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.

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 and the Group is conducting a details studies on the report.

As of the date of this report, the Group has provided funding with principal amount of approximately USD59 million to SAM through shareholders’ loans and increase of registered capital in SAM.

4. **Others**

On 21 October 2014, the Ministry of Mines and Energy of Brazil (MME) issued a permit that allow SAM to connect to the national power grid at the Irape Dam, SAM will continue to work on the electricity supply related engineering design and environmental studies.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Termination of SPA

Pursuant to the SPA (as amended by the Supplemental SPA), if the Required Approvals have not been fully obtained by 11:59 p.m. New York City time on 5 September 2014 (the “Termination Date”), VNN, Lit Mining or Infinite Sky has the right to terminate the SPA (as amended by the Supplemental SPA), provided that the right to terminate shall not be exercisable by any party whose failure to comply with the SPA or the other Transaction Documents has materially contributed to, or resulted in, the failure of the transactions contemplated above to occur on or prior to the Termination Date (the “Termination Provisions”).

On 5 September 2014 (New York City time), the Required Approvals had not been fully obtained. Accordingly, Infinite Sky issued a termination notice to VNN and Lit Mining pursuant to the Termination Provisions on 6 September 2014 (New York City time), requesting (i) VNN and Lit Mining’s execution of the joint instructions to the Custodian to release the New Trinity Certificate to Infinite Sky; (ii) transfer of the Golden Share to New Trinity; and (iii) VNN and Lit Mining’s execution of the release relating to the Brazilian Security Agreement.

Infinite Sky had received correspondence from VNN that the latter rejected the said termination and did not consider the Share Purchase Agreement (as amended by the Supplemental SPA) had been terminated (and therefore did not intend to sign the joint instructions to the Custodians or transfer the Golden Share) unless and until the parties had reached a mutually agreeable commercial resolution regarding the foregoing, or an arbitration decision compels VNN and Lit Mining to do so. The Company is currently seeking further legal advice, and the parties are trying to arrange for meetings in relation to the above to discuss on the discrepancy.

Formal dispute resolution is an inherently uncertain process and in the event if one of the parties were to initiate the arbitration, Infinite Sky would vigorously prosecute its claims or defences. If Infinite Sky were to prevail in the arbitration, a possible outcome would be that VNN would need to transfer the Golden Share, as well as return the other documents requested by Infinite Sky, and Infinite Sky would not need to pay the remaining USD315 million instalments consideration (namely the Approvals Payment, and those payable on Port Operation Commencement and Mining Production Commencement) under the Share Purchase Agreement (as amended by the Supplemental SPA). In the event VNN were to prevail, a possible outcome would be that Infinite Sky would need to continue to perform the terms of Share Purchase Agreement (as amended by the Supplemental SPA) as if no termination notice had been served.

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.

Since 25 August 2014, the Company has been under a negotiation with an independent third party for the possible acquisition of the target companies which are principally engaged in the research and development, manufacture and sale of electric vehicle power system as well as provides electric vehicle integration solution for automobile manufacturers.

Honbridge is determined to develop new energy vehicle related business. The strategy of Honbridge is to conduct business consolidation by mergers and acquisitions globally in order to obtain the cutting-edge techniques and to integrate creativity, and to industrialize the production of new energy vehicles and related core components in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Prospect — Continued

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 nine months ended 30 September 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 September 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:

(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	57,939,189	22,460,000	4,065,000,000 ¹	–	4,145,399,189	62.38
LIU Wei, William	–	–	–	40,000,000	40,000,000	0.60
SHI Lixin	–	–	–	30,000,000	30,000,000	0.45
YAN Weimin	30,000,000	–	–	30,000,000	60,000,000	0.90
ANG Siu Lun, Lawrence	–	–	–	15,000,000	15,000,000	0.22
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 period for the nine months ended 30 September 2014 were as follows:

Name or category of participant	Number of share options					Outstanding as at 30/9/2014	Date of grant of share options (Note a)	Exercise period of share option	Exercise price per share option (Note b) HK\$	Price immediately preceding the grant date of share options (Note c) HK\$	Price immediately preceding the exercise date of share options HK\$
	Outstanding as at 01/01/2014	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	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:

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 September 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 September 2014, 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	61.17
HE Xuechu (Note 2)	57,939,189	22,460,000	4,065,000,000 (Note 1)	4,145,399,189	62.38
FOO Yatyan (Note 2)	22,460,000	4,122,939,189	–	4,145,399,189	62.38
LI Xing Xing	–	–	4,065,000,000 (Note 3)	4,065,000,000	61.17
Geely International (Hong Kong) Limited	2,250,675,675 (Note 4)	–	–	2,250,675,675	33.87
Zhejiang Geely Holding Group Co., Ltd. (Note 5)	–	–	2,250,675,675	2,250,675,675	33.87
LI Shufu (Note 6)	103,064,000	–	2,250,675,675	2,353,739,675	35.42

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 2,250,675,675 shares held by Geely International (Hong Kong) Limited represent 2,000,000,000 shares through a HK\$740,000,000 convertible notes with a conversion price of HK\$0.37 per conversion share of the Company and the remaining 250,675,675 represents ordinary shares held.
- 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 September 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.

CONVERTIBLE BONDS

On 4 June 2013, convertible bonds of HK\$740 million with conversion price of HK\$0.37 per conversion share of the Company were issued.

During the nine months ended 30 September 2014, there was no conversion of the Company's outstanding convertible bonds.

CONNECTED TRANSACTIONS

As at 30 September 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.

For the nine months ended 30 September 2014, the Group has imputed interest and finance cost on loans from ultimate holding company of approximately HK\$0.9 million and HK\$4.5 million respectively.

On 26 September 2014, the Company (as purchaser) acquired 90.68% issued shares and HK\$157,922,000 Sale Loan of Triumphant Glory Investments Limited from Geely International (Hong Kong) Limited, Good Cheer Holdings Limited and Leads Top Limited (collectively as Vendors) for a Consideration of HK\$634,760,000. 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. Accordingly, this acquisition constitutes a connected transaction for the Company.

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 nine months ended 30 September 2014.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules for Directors.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the nine months ended 30 September 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 three months and nine months ended 30 September 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 nine months ended 30 September 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

Hong Kong, 10 November 2014