



HONBRIDGE HOLDINGS LIMITED

洪橋集團有限公司

(Stock Code: 8137)



2015

HALF YEAR REPORT



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)**

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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 2015, together with the comparative unaudited figures for the corresponding period in 2014, 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	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Turnover	2	15,247	1,215	52,623	2,509
Cost of sales		(9,928)	–	(35,505)	–
Gross profit		5,319	1,215	17,118	2,509
Other operating income	3	1,264	315	1,790	324
Selling and distribution costs		(676)	(43)	(1,120)	(73)
Administrative expenses		(24,146)	(9,750)	(45,883)	(16,599)
Other expenses		–	(2,172)	–	(4,143)
Share-based payment expenses	4	(10,812)	–	(10,812)	–
Operating losses	5	(29,051)	(10,435)	(38,907)	(17,982)
Finance costs	7	(14,682)	(15,556)	(30,986)	(30,521)
Gain on disposals of subsidiaries	8	–	–	–	18,161
<b>Loss before income tax</b>		<b>(43,733)</b>	<b>(25,991)</b>	<b>(69,893)</b>	<b>(30,342)</b>
Income tax expense	9	963	–	928	–
<b>Loss for the period</b>		<b>(42,770)</b>	<b>(25,991)</b>	<b>(68,965)</b>	<b>(30,342)</b>
<b>Other comprehensive income</b>					
Items that may be subsequently reclassified to profit or loss:					
Release of translation reserve upon disposals of subsidiaries		–	–	–	(1,920)
Exchange gain (loss) on translation of financial statements of foreign operations		165,535	192,127	(860,075)	682,602
<b>Other comprehensive income, net of tax</b>		<b>165,535</b>	<b>192,127</b>	<b>(860,075)</b>	<b>680,682</b>
<b>Total comprehensive income for the period</b>		<b>122,765</b>	<b>166,136</b>	<b>(929,040)</b>	<b>650,340</b>
<b>Loss for the period attributable to:</b>					
Owners of the Company		(41,890)	(25,991)	(67,831)	(30,342)
Non-controlling interests		(880)	–	(1,134)	–
		(42,770)	(25,991)	(68,965)	(30,342)
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		123,561	166,136	(927,990)	650,340
Non-controlling interests		(796)	–	(1,050)	–
		122,765	166,136	(929,040)	650,340
<b>Loss per share attributable to the owners of the Company during the period</b>	11				
— Basic		HK(0.63) cent	HK(0.42) cent	HK(1.03) cents	HK(0.49) cent
— Diluted		N/A	N/A	N/A	N/A

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		140,830	141,615
Exploration and evaluation assets	12	7,392,292	8,900,720
Prepaid land lease payments		54,743	54,482
Other intangible assets		328,102	348,825
Deferred tax assets		–	896
Goodwill		186,166	186,166
		<b>8,102,133</b>	<b>9,632,704</b>
<b>Current assets</b>			
Inventories		60,449	31,268
Trade and bill receivables	13	351,172	359,480
Prepayments, deposits and other receivables		57,956	50,912
Restricted bank deposits		19,293	15,294
Cash and cash equivalents		1,213,580	57,080
		<b>1,702,450</b>	<b>514,034</b>
<b>Current liabilities</b>			
Trade and bill payables	14	323,960	324,176
Other payables, accrued expenses, deposits received and receipts in advance		45,636	57,719
Borrowings	15	19,200	–
Current tax liabilities		93	67
		<b>1,313,561</b>	<b>132,072</b>
<b>Net current assets</b>		<b>1,313,561</b>	<b>132,072</b>
<b>Total assets less current liabilities</b>		<b>9,415,694</b>	<b>9,764,776</b>
<b>Non-current liabilities</b>			
Derivative financial liabilities		83,699	83,699
Loans from ultimate holding company	16	–	220,138
Deferred income		135,779	133,279
Convertible bonds	17	519,959	489,436
Deferred tax liabilities	18	2,326,609	2,985,150
Contingent consideration	19	1,780,569	1,780,569
		<b>4,846,615</b>	<b>5,692,271</b>
<b>Net assets</b>		<b>4,569,079</b>	<b>4,072,505</b>
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		7,862	6,645
Reserves		4,537,525	4,041,118
		<b>4,545,387</b>	<b>4,047,763</b>
Non-controlling interests		23,692	24,742
<b>Total equity</b>		<b>4,569,079</b>	<b>4,072,505</b>

## 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			
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
<b>2015</b>											
<b>At 1 January 2015</b>	6,645	1,266,484	(203,132)	48,708	136,873	(2,887,758)	258,836	5,421,107	4,047,763	24,742	4,072,505
Proceeds from placing and share subscription	1,200	1,342,800	–	–	–	–	–	–	1,344,000	–	1,344,000
Share issuance costs	–	(7,903)	–	–	–	–	–	–	(7,903)	–	(7,903)
Shares issued under share option scheme	17	18,198	–	–	(7,379)	–	–	7,379	18,215	–	18,215
Equity-settled share-based transactions	–	–	–	–	10,812	–	–	–	10,812	–	10,812
Sales of treasury shares	–	–	60,490	–	–	–	–	–	60,490	–	60,490
Repayment of loans from ultimate holding company	–	–	–	(48,708)	–	–	–	48,708	–	–	–
<b>Transaction with owners</b>	1,217	1,353,095	60,490	(48,708)	3,433	–	–	56,087	1,425,614	–	1,425,614
<b>Loss for the period</b>	–	–	–	–	–	–	–	(67,831)	(67,831)	(1,134)	(68,965)
<b>Other comprehensive income</b>											
Currency translation	–	–	–	–	–	(860,159)	–	–	(860,159)	84	(860,075)
<b>Total comprehensive income</b>	–	–	–	–	–	(860,159)	–	(67,831)	(927,990)	(1,050)	(929,040)
<b>At 30 June 2015</b>	7,862	2,619,579	(142,642)	–	140,306	(3,747,917)	258,836	5,409,363	4,545,387	23,692	4,569,079
<b>2014</b>											
<b>At 1 January 2014</b>	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	9,305
<b>Transactions with owners</b>	–	–	–	(555)	–	–	–	555	–	9,305	9,305
<b>Loss for the period</b>	–	–	–	–	–	–	–	(30,342)	(30,342)	–	(30,342)
<b>Other comprehensive income</b>											
Currency translation	–	–	–	–	–	682,602	–	–	682,602	–	682,602
<b>Release of translation reserve upon disposals of subsidiaries</b>	–	–	–	–	–	(1,920)	–	–	(1,920)	–	(1,920)
<b>Total comprehensive income</b>	–	–	–	(555)	–	680,682	–	(29,787)	650,340	–	650,340
<b>At 30 June 2014</b>	6,216	679,331	(276,332)	48,708	136,873	(1,039,222)	258,836	8,647,396	8,461,806	–	8,461,806

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED**

	Notes	Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
Net cash used in operating activities		(48,635)	(37,066)
Net cash used in investing activities:			
Disposal of subsidiaries (net of cash and cash equivalent disposed)	8	–	3,565
Other investing cash flows		(10,101)	(16,543)
		(10,101)	(12,978)
Net cash from financing activities:			
Proceeds from placing of new shares		844,480	–
Proceeds from share subscription		499,520	–
Share issuance costs		(7,903)	–
Repayment of loans from ultimate holding company	16	(224,094)	–
Proceeds from sales of treasury shares		60,490	–
Proceeds from issue of new shares under share options scheme		18,215	–
Other financing cash flows		24,200	–
		1,214,908	–
Net increase (decrease) in cash and cash equivalents		1,156,172	(50,044)
Cash and cash equivalents, at beginning of period		57,080	86,142
Effect of foreign exchange rate changes		328	86
Cash and cash equivalents, at end of period		1,213,580	36,184
Analysis of the balance of cash and cash equivalents			
Cash at banks and in hand		1,213,580	36,184

Notes:

## 1. BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months and six months ended 30 June 2015 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 2014 annual report.

The accounting policies adopted in the 2014 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 2015. 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. The amounts of each significant category of revenue recognised in turnover during the period are as follows:

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Sale of lithium batteries	<b>51,231</b>	–
Revenue from trading commodity contracts (note)	<b>1,392</b>	2,509
	<b>52,623</b>	2,509

Note: 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. Gross sale amount of these transactions was approximately HK\$538 million (2014: HK\$1,543 million) during the period.

### 3. OTHER OPERATING INCOME

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Bank Interest income	339	24
Rental income	300	300
Overprovision of interests on loans from ultimate holding company	1,044	–
Sundry income	107	–
	<b>1,790</b>	<b>324</b>

### 4. SHARE-BASED PAYMENT EXPENSES

The table below discloses movement of the Company's share options:

	Number of share options
Outstanding as at 1 January 2015	130,000,000
Granted during the period	9,500,000
Exercised during the period	(17,000,000)
Outstanding as at 30 June 2015	<u>122,500,000</u>

On 14 May 2015, the Company granted share options (the "Options") to certain eligible persons of the Group (the "Grantees") which entitles the Grantees to subscribe for an aggregate of 9,500,000 new ordinary shares of HK\$0.001 each in the share capital of the Company.

The average closing price for the five business days immediately preceding the date of grant was HK\$2.602 per share.

The fair value of the Options determined using the binomial option pricing model was approximately HK\$10,812,000.

The following major assumptions were used to calculate the fair values of the Options:

Grant date closing price	HK\$2.55
Exercise price	HK\$2.61
Expected life	8 years
Expected volatility	75.526%
Dividend yield	0%
Risk-free interest rate	1.598%

The binomial option pricing model has been used to estimate the fair value of the Options. The variables and assumptions used in computing the fair value of the Options were based on the directors' best estimate.



## 5. OPERATING LOSSES

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Operating losses are arrived at after charging:		
Rental expenses	2,839	3,156
Amortisation of other intangible assets	20,723	–
Cost of inventories recognised as expense	35,505	–
Depreciation and amortisation	7,901	987

## 6. SEGMENT INFORMATION

The Group has identified its operating segment and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation and review of performance.

The Group's operating businesses are organised and managed separately according to the nature of product and service, with each segment representing a strategic business segment that offers different products and services in the PRC and Brazil.

The Company is an investment holding company. Principal places of the Group's operations are Hong Kong, the PRC and Brazil. For the purpose of segment information disclosures under HKFRS 8, the Group regarded Hong Kong as its country of domicile.

## 6. SEGMENT INFORMATION — CONTINUED

Information regarding the Group's reportable segments provided to the Group's most senior management (i.e. the executive directors) is set out below:

	<b>Mineral resources exploration and trading</b> HK\$'000	<b>Lithium battery production</b> HK\$'000	<b>Total</b> HK\$'000
<b>Six months ended 30 June 2015</b>			
Reportable segment turnover (external customers)	1,392	51,231	52,623
Reportable segment losses	(9,952)	(13,109)	(23,061)
Reportable segment assets	7,687,781	911,784	8,599,565
Reportable segment liabilities	2,072,932	230,314	2,303,246
Capital expenditure	4,900	5,201	10,101
Depreciation	398	7,282	7,680
Amortisation of other intangible assets	–	20,723	20,723
<b>Six months ended 30 June 2014</b>			
Reportable segment turnover (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	772	–	772

## 6. SEGMENT INFORMATION — CONTINUED

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>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Reportable segment turnover	<b>52,623</b>	2,509
Reportable segment loss	<b>(23,061)</b>	(10,648)
Other operating income	<b>1,346</b>	302
Administrative expenses	<b>(5,097)</b>	(6,138)
Other operating expenses	<b>(1,746)</b>	(1,498)
Share-based payment expenses	<b>(10,812)</b>	–
Gain on disposals of subsidiaries	<b>–</b>	18,161
Finance costs	<b>(30,523)</b>	(30,521)
Loss before income tax	<b>(69,893)</b>	(30,342)
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Reportable segment assets	<b>8,599,565</b>	10,114,448
Property, plant and equipment	<b>468</b>	679
Prepayments and other receivables	<b>713</b>	1,066
Cash and cash equivalents	<b>1,203,837</b>	30,545
	<b>9,804,583</b>	10,146,738
Reportable segment liabilities	<b>2,303,246</b>	2,291,265
Other payables and accrued expenses	<b>1,990</b>	4,545
Derivative financial liabilities	<b>83,699</b>	83,699
Loans from ultimate holding company	<b>–</b>	220,138
Convertible bonds	<b>519,960</b>	489,436
Deferred tax liabilities	<b>2,326,609</b>	2,985,150
	<b>5,235,504</b>	6,074,233

## 6. SEGMENT INFORMATION — CONTINUED

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

	As at <b>30 June</b> <b>2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>	As at 31 December 2014 HK\$'000 (Audited)
<b>Non-current assets (excluding deferred tax assets)</b>		
Hong Kong	468	679
PRC	707,065	726,941
Brazil	7,394,600	8,904,188
Reportable segment non-current assets	<b>8,102,133</b>	9,631,808

Geographical location of customers is based on the location at which the goods are delivered whilst geographical location of non-current assets is determined based on (1) the physical location of the asset (for property, plant and equipment and prepaid land lease payments) and (2) location of operations (for exploration and evaluation assets, other intangible assets and goodwill).

## 7. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Interest charges on other borrowings wholly repayable within five years	463	–
Imputed interest on convertible bonds	30,523	27,045
Interests on loans from ultimate holding company	–	3,476
	<b>30,986</b>	30,521

## 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. which engaged in production and research of highly purified silicon. Approximately HK\$18,161,000 gain on disposal was recognised upon disposal of Divine Mission Holdings Limited. More details has been set out in 2014 annual report.

## 9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Overseas tax		
Current period	(4,364)	–
Deferred tax	5,292	–
Income tax expense	928	–

During the six months ended 30 June 2014 and 2015, no provision for Hong Kong profits tax has been provided by the Group as the Group had no estimated assessable profit arising in or derived from Hong Kong. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

During the period, the PRC corporate income tax rate of 25% (2014: 25%) is applicable to Shanghai Hongying Trading Co. Limited ("Shanghai Hongying") and Shandong Forever New Energy Co., Ltd. ("Shandong Forever"), being the Group's subsidiaries established in the PRC.

During the period, corporate income tax rates in Brazil of 34% (2014: 34%) is applicable to Sul Americana de Metais S.A. ("SAM"), being the Group's subsidiary established in Brazil.

## 10. DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

## 11. LOSSES PER SHARE

The calculation of basic losses per share for the three months and six months ended 30 June 2015 are based on the loss attributable to the owners of the Company of approximately HK\$41,890,000 and HK\$67,831,000 respectively and on 6,620,332,046 and on 6,565,899,783 weighted average number of shares respectively. (For the three months and six months ended 30 June 2014, loss attributable to the owners of the Company was HK\$25,991,000 and HK\$30,342,000 respectively and basic losses per share in both period was calculated based on 6,215,679,716 weighted average number of shares).

No such figure was presented for three months and six months ended 30 June 2015 and 30 June 2014 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 six months ended 30 June 2015, there was an addition of exploration and evaluation assets of approximately HK\$4.9 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 180 days to its trade customers. The following is the breakdown and ageing analysis of net trade and bill receivables at the reporting date.

	<b>As at 30 June 2015 HK\$'000 (Unaudited)</b>	As at 31 December 2014 HK\$'000 (Audited)
Trade and bill receivables, gross	<b>357,541</b>	367,010
Less: Impairment	<b>(12,769)</b>	(12,570)
Trade receivables, net	<b>344,772</b>	354,440
Bill receivables	<b>6,400</b>	5,040
Trade and bill receivables	<b>351,172</b>	359,480
0 to 30 days	<b>11,769</b>	180,140
31 to 90 days	<b>70,809</b>	97,276
91 to 180 days	<b>43,706</b>	29,608
Over 180 days	<b>224,888</b>	52,456
	<b>351,172</b>	359,480

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 2015, the Group determined trade receivables of HK\$12,769,000 (31 December 2014: HK\$12,570,000) as impaired. The impaired trade receivables are due from the customer experiencing financial difficulties.

#### 14. TRADE AND BILL PAYABLES

The credit terms of trade payables vary according to the terms agreed with different suppliers. The following is ageing analysis of trade and bills payables at the reporting dates:

	<b>As at 30 June 2015 HK\$'000 (Unaudited)</b>	As at 31 December 2014 HK\$'000 (Audited)
Trade payables	304,667	308,882
Bill payables	19,293	15,294
	<b>323,960</b>	324,176
0–30 days	11,768	34,344
31–60 days	11,010	46,562
61–90 days	10,599	32,678
91–180 days	31,279	110,249
Over 180 days	259,304	100,343
	<b>323,960</b>	324,176

#### 15. BORROWINGS

	<b>As at 30 June 2015 HK\$'000 (Unaudited)</b>	As at 31 December 2014 HK\$'000 (Audited)
Original currency		
Bank loans — secured	RMB 19,200	–
<b>Total</b>	<b>19,200</b>	–

The loans bear interest at 5.6% per annum and were due within one year from the reporting date. The bank loans were secured by property, plant and equipment and land of the Company.

#### 16. LOANS FROM ULTIMATE HOLDING COMPANY

The loans are unsecured and not repayable within three years from the drawdown dates. The loans are interest-free in the first two years and bear interest at prime rate minus 1.25% per annum in the third year. The loans and related interests have been fully repaid during the period.

#### 17. 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 2015 were HK\$30,523,000 (2014: HK\$27,045,000).

## 18. 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 and other intangible assets.

## 19. CONTINGENT CONSIDERATION

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

## 20. 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 2014 and 30 June 2015</b>				
Derivative financial liabilities	–	–	83,699	83,699
Contingent consideration payables	–	–	1,780,569	1,780,569
	–	–	1,864,268	1,864,268

During the six months ended 30 June 2015, 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

### New Energy Vehicles-Related Business

The Group is determined to enter the field of new energy vehicles and intended to acquire all the core technology such as battery system, electric motor system and vehicle control module by acquisition. Through integration of technology and innovation, ultimately, produce and sell new energy vehicles and following this direction to seek for merger and acquisition opportunities.

### Lithium-ion Batteries Business

Currently, the production plant of Shandong Forever New Energy Co., Ltd. ("Shandong Forever New Energy") covers a total area of approximately 130,000 square meters and its current factory and office facilities covers a floor area of about 70,000 square meters. The current design 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.

New ternary lithium battery product is in final testing and fine adjustment stage and is expected to be ready for mass production in 2015.

Subject to various factors such as technology, crafts, investment and sales of products, the Company is re-valuating the expansion plan in Zou Cheng, Shandong and exploring the possibilities of massive expansion in other areas.

During the six months ended 30 June 2015, Shandong Forever New Energy, a subsidiary of the Company, recorded a revenue of approximately HK\$51.2 million (equivalent to approximately RMB40.0 million), which decreased by 20% when compared to HK\$64.0 million (equivalent to approximately RMB50.0 million) revenue recognised in the last corresponding period. The decrease was mainly due to the scheduled modification of production line in the second quarter of 2015. However, the gross profit percentage has improved substantially from last corresponding period's 11.2% to 30.7% because Shandong Forever New Energy only commenced mass production in late 2013. In the past year, Shandong Forever New Energy has lowered the average unit cost of products due to the better economies of scale, lower merchandising price of raw materials and improved production schedule and management. During the period ended 30 June 2015, Shandong Forever New Energy's earnings before interests, taxes, depreciation and amortisation ("EBITDA") was approximately HK\$15.4 million (equivalent to approximately RMB12.0 million). However, the net loss for the lithium-ion batteries business was approximately HK\$12.2 million (equivalent to approximately RMB9.5 million) during the six months ended 30 June 2015 mainly due to the HK\$20.7 million (equivalent to approximately RMB16.2 million) amortisation expenses of patents and customers relationship charged in the same period. Other details on Shandong Forever New Energy have been set out in annual report 2014 of the Group.

(Note: Shandong Forever New Energy only became a subsidiary of the Group since 26 September 2014 so its 2014 results did not form part of the Group's consolidated results for the six months ended 30 June 2014. They are presented in this report for reference purpose only.)

**MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED****Lithium-ion Batteries Business — continued****Statement of profit or loss for Shandong Forever New Energy prepared in accordance with PRC accounting standards**

	Six months ended 30 June		Year ended	
	2015 RMB Unaudited	2014 RMB Unaudited	2014 RMB Audited	2013 RMB Audited
Revenue	40,024,506.93	49,961,733.37	137,274,477.83	18,181,156.02
Cost of sales	(27,738,021.45)	(44,363,710.22)	(113,000,695.82)	(22,657,658.52)
Gross profit (loss)	12,286,485.48	5,598,023.15	24,273,782.01	(4,476,502.50)
Selling and distribution costs	(844,927.36)	(390,626.70)	(1,270,764.10)	(468,539.01)
Administrative expenses	(4,997,330.21)	(4,163,931.22)	(10,753,655.24)	(8,189,211.28)
Finance income (costs)	(154,132.81)	(584,035.62)	(943,941.69)	467,682.85
Write-down of inventories	—	—	(1,004,723.48)	(5,514,350.97)
<b>Operating profit (loss)</b>	<b>6,290,095.10</b>	459,429.61	<b>10,300,697.50</b>	(18,180,920.91)
other income	4,614,168.05	4,564,645.18	9,181,371.69	9,141,379.96
other expenses	(165,659.68)	(122.69)	(113,112.30)	(1,261.49)
<b>Profit (loss) before tax</b>	<b>10,738,603.47</b>	5,023,952.10	<b>19,368,956.89</b>	(9,040,802.44)
Income tax (expenses) credit	(3,395,493.99)	—	(4,842,239.23)	5,553,082.35
<b>Net Profit (loss)</b>	<b>7,343,109.48</b>	5,023,952.10	<b>14,526,717.66</b>	(3,487,720.09)

(Note: The figures presented here is not prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants. They are for reference purpose only.)

**Possible Acquisition of a Target Company Based in North America With Mass Production Facility Located in China**

In August 2014, the Company started negotiation with the major shareholder of a target company (the "Target Company") for a possible acquisition. The Target Company is 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. The products of the Target Company include high power motors, inverters, high power chargers, energy regeneration system, vehicle control module and battery management system. The Target Company has a number of patented technologies (and a few pending patents) and the reliability of its advanced technology has been validated by a numbers of leading automobile manufacturers worldwide. The research and development headquarter of the Target Company is located in North America and a mass production facility which is under construction will be located in China. As at the date of this report, the parties has not reached consensus on certain trading conditions and the negotiation is still ongoing. The Company is not in a position to determine whether any agreements will be reached finally.

## MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

### Cooperation Framework Agreement on New Energy Automobile Production Base

On 16 October 2014, the Company 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 of the Production Base 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. Since the signing of the Cooperation Framework Agreement, the Company and the other two parties had conducted several discussions and negotiations. No formal agreement has been entered into between the parties.

### Possible Cooperation and Memorandum of Understanding with New Hope Group Co. Ltd. (“New Hope Group”)

As disclosed in the announcement of the Company dated 11 March 2015, the Company and New Hope Group have entered into preliminary negotiations in relation to the cooperation on new energy vehicle related businesses, including but not limited to, the research and development, and production and sales of electric batteries, motors and vehicle management systems. The Company and New Hope Group also entered into a memorandum of understanding pursuant to which, it is proposed that the Company will issue a convertible bonds and grant an options to New Hope Group.

Since the Company and New Hope Group have failed to reach consensus on the Possible Cooperation and the possible issue of convertible bonds and grant of options pursuant to the Memorandum of Understanding, the parties have agreed to amicably terminate the negotiation.

### Placing of 754,000,000 New Shares of the Company

On 30 June 2015, an aggregate of 754,000,000 Placing Shares have been successfully placed by ABCI Securities Company Limited, the Placing Agent, to not less than six places at the Placing Price of HK\$1.12 per Placing Share pursuant to the terms and conditions of the Placing Agreement, the net proceeds are approximately HK\$836.7 million.

### Subscription of 446,000,000 New Shares of the Company by Shagang International (Hong Kong) Co., Limited (“Shagang International”)

On 19 June 2015, an aggregate of 446,000,000 new Shares have been issued to Shagang International at the Subscription Price of HK\$1.12 per Subscription Share (the “Share Subscription”). The net proceeds from the Share Subscription are approximately HK\$499.3 million.

Shagang International is an investment holding company wholly owned by Jiangsu Shagang Group Company Limited (江蘇沙鋼集團有限公司) (the “Shagang Group”). Shagang International is principally engaged in international trading, foreign investments and development of foreign resources. Shagang International currently holds 46.86% shareholding in Grange Resources Limited, an iron ore mining company listed on the ASX Limited (ASX Code: GRR) in Australia.

## MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

### Subscription of 446,000,000 New Shares of the Company by Shagang International (Hong Kong) Co., Limited (“Shagang International”) — continued

Shagang Group is the largest privately owned steel and iron company in the PRC. According to information provided by the Shagang Group, the recognised revenue of the Shagang Group in 2014 was approximately RMB248.5 billion with a gross profit ranked second in the corresponding industry in the PRC. In 2014, the Shagang Group ranked 54th and 19th among the Top 500 Enterprises of China and Top 500 Manufacturers of China respectively. In addition, the Shagang Group has been ranked among the Fortune’s Global 500 list of the world’s largest corporations for 6 consecutive years and the Shagang Group ranked 308th in 2014.

### Use of Proceeds

HK\$1,336 million net proceeds have been raised from the Placing and the Share Subscription, HK\$149.1 million has been utilised to repaid the loans from the ultimate holding company. For the remaining HK\$1,186.9 million, HK\$950 million will be invested into the new energy automotive-related business, HK\$200 million will be used as the preliminary working expenses of the iron ore project in Brazil, and HK\$36.9 million will be used as working capital or/and the supplementary funding to the two investments mentioned above.

### Progress of SAM

As at 30 June 2015, 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. As of the date of this report, the Group has provided funding with principal amount of approximately USD62 million to SAM through shareholders’ loans and increase of registered capital in SAM and it is expected that approximately USD40 million would be required for the preliminary works from now until all major approvals are obtained.

#### 1. **Construction Phase I**

For the construction of Vale do Rio Pardo project, after extensive beneficiation test and completion of feasibility study, extensive engineering design for mining, beneficiation, water supply, electricity supply, pipelines and ports has commenced. Once detailed engineering design commenced, 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 2016, the mine is expected to commence operation by 2019.

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.

## MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

### Progress of SAM — continued

#### 2. Licenses and Approvals for Commencement of Construction

Construction of the project shall obtain 8 major approvals according to the Brazilian laws, including:

Vegetation Suppression License (“ASV”): SAM will be granted by Brazilian Institute of Environment and Renewable Natural Resources (“IBAMA”) together with Installation License if land owners across the underground pipeline route and mine area 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 IBAMA, the government agency responsible for environmental licensing of the SAM project, on 3 July 2012 and was accepted on 21 August 2012. Three public hearings were held in January 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. At the request and under supervision of IBAMA, SAM has hosted the fourth public hearing session on 5 February 2015. On 7 May 2015, IBAMA requested SAM to procure Compliance Certificates from 22 cities in the directly affected area of the project. The Compliance Certificate states that the location, project type and activity of Vale do Rio Pardo Project is in conformity with the municipal law of the city regarding to land use and occupation. By the end of 15 June 2015, SAM had procured all the 22 Compliance Certificates. On 13 July 2015, SAM received a report of technical opinions from IBAMA, in which some minor points need further supplemental information and clarifications. SAM is preparing the information and clarifications and will submit to IBAMA as soon as possible to obtain LP.

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 not supported with concrete evidence. 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. On February 2015, Minas Gerais Federal Courts requested the Federal Public Ministry to express its opinion on the civil action. On 8 June 2015, Federal Public Ministry answered the court and expressed the same legal statement with SAM that the plaintiff is illegitimacy. As a conclusion of Federal Public Ministry’s answer, Federal Public Ministry requested the court to extinguish the civil action. As at the date of this report, SAM is awaiting the court’s decision but 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 first submitted in 2013 and supplementary documents have been submitted on 26 November 2014 and 27 January 2015, which all submissions are currently under review by DNPM.

## MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

### Progress of SAM — continued

#### 2. *Licenses and Approvals for Commencement of Construction — continued*

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 DUP. On 6 September 2013, Bahia state signed a Memorandum of Understanding with SAM, in which Bahia state committed to issue the “DUP” once SAM’s Vale do Rio Pardo project is granted LP.

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: In view of the changes of Brazilian overall economic environment and the pressure from the falling down price of international iron ore, on 5 December 2014, Bahia Government published a public notice that the tender was suspended. According to the previous 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.

Bahia Government decided to scale down the whole Porto Sul and give priority to build iron ore exclusive pier. Bahia Government has appointed a famous investment bank of Brazil, to optimize the Porto Sul scheme including the shareholding structure and financial model, which target to improve the port financially so that operators, users and other stakeholders of the project will benefit from it. The LP and LI were granted to the Porto Sul by IBAMA in November 2012 and September 2014 respectively. In July 2015, Brazilian Federal Government granted DUP and ASV to Porto Sul.

According to SAM’s project timetable for mine, beneficiation plant and pipeline, SAM will actively participate in preparation stage studies for the new Porto Sul and dedicated to create advantages for being an operator and an user of Porto Sul in the future.

## MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

### Termination of the Share Purchase Agreement in relation to Acquisition of SAM (The “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 (“Sellers”) or Infinite Sky (“Buyer”), a subsidiary of the Company, 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 SPA (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. Since 6 September 2014, Infinite Sky and the Company had exchanged various correspondence with VNN and Lit Mining with a view of arriving at a commercial resolution. On 10 June 2015, the Group filed a request for arbitration against Lit Mining and VNN in relation to termination of the SPA (as supplemented by the Supplemental SPA) (the “Arbitration”). As at report date, the Arbitration is still in progress.

The Arbitration is an inherently uncertain process. If the Group 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 the Group, and the Group would not need to pay the remaining instalments of 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, one of the possible outcome would be that the Group would need to continue to perform the terms of Share Purchase Agreement (as amended by the Supplemental SPA) as if no Arbitration had taken place.

### Corporate Governance

Throughout the six months ended 30 June 2015, the Company complied with all Code Provisions set out in Appendix 15 of the GEM Listing Rules.

## MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

### Business Review

For the six months ended 30 June 2015, the Group recorded a turnover of HK\$52.6 million which comprised HK\$51.2 million from the sale of lithium-ion batteries and HK\$1.4 million from trading commodity contracts. Group results changed from loss of HK\$30.3 million for the six months ended 30 June 2014 to loss of HK\$69.0 million in current period. The substantial increase in loss was mainly due to the recognition of HK\$18.2 million gain on disposal of highly purified silicon business in the previous period and recognition of HK\$10.8 million share-based payment expenses in the current period, which if excluded, a loss of HK\$48.5 million and a loss of HK\$58.2 million would be recorded by the Group in the previous period and the current period respectively. In addition, amortisation and depreciation expenses have been increased by approximately HK\$27.6 million in the current period mainly derived by the subsidiaries acquired in September 2014. The increase in amortisation and depreciation expenses has been partially net-off by the increase in HK\$14.6 million gross profit in the current period.

The EBITDA (excluding the HK\$10.8 million share-based payment expenses) of the Group was approximately HK\$0.5 million for the six months ended 30 June 2015. While for the last corresponding period, the EBITDA (excluding the HK\$18.2 million gain on disposal of highly purified silicon business) was approximately HK\$17.0 million at loss. The improvement was mainly due to the cash flow generated from the lithium-ion batteries business.

### Liquidity and Financial Resources

As at 30 June 2015, the Group had net current assets of HK\$1,313.6 million (31 December 2014: 132.1 million). Current assets mainly comprised of bank balances and cash of HK\$1,213.6 million, trade and bill receivables of HK\$351.2 million, prepayments, deposits and other receivables of HK\$58.0 million and inventories of HK\$60.4 million. Current liabilities mainly comprised of trade and bill payables of HK\$324.0 million, other payables and accrued expenses and receipts in advance of HK\$45.6 million.

The HK\$1,188.4 million increase in current assets was mainly due to the HK\$1,336 million net proceeds raised by the Group through placing of 754,000,000 and issue of 446,000,000 new shares of the Company. HK\$149.1 million of the proceeds were utilised to fully repaid the loans and related interest, from ultimate holding company during the period.

As at 30 June 2015, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 0.12 (31 December 2014: 0.17).

### Capital Commitments

As at 30 June 2015, the Group has capital commitments amounted to approximately HK\$2.7 million for the acquisition of property, plant and equipment.



## MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

### Contingent Consideration and Liabilities

On 5 March 2010, Lit Mining (as the seller), VNN (also as the seller), Esperanto, Mineral Ventures, Infinite Sky (as the buyer), New Trinity, and the Company entered into the SPA. Pursuant to the SPA, the Consideration of USD390 million for the Acquisition was to be satisfied in cash in five instalment payments.

As at 30 June 2015, 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 fair value of contingent consideration as mentioned above for the third to fifth instalments payment were approximately USD229.0 million (equivalent to approximately HK\$1,780.6 million). For financial reporting and valuation for the six months ended 30 June 2015, it is considered that termination of SPA has no material impact on contingent consideration. The Company will assess the situation continuously.

As at 30 June 2015, saved as disclosed above the Group did not have any significant contingent liabilities.

### Prospect

The Company is determined to develop new energy vehicle related business. The strategy 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. The current focus is to push forward the expansion of lithium-ion batteries.

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 2016. If all licenses and approvals for starting the construction are obtained in the first half of 2016, the mine is expected to commence operation by 2019. After introduction of Shagang Group as a strategic shareholder, the Company will attempt to leverage on the experience and strength of Shagang Group to push forward the development of SAM Iron Ore Project.

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

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

As at 30 June 2015, 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	57,939,189	22,460,000	4,065,000,000 <sup>1</sup>	–	4,145,399,189	52.73
LIU Wei, William	9,002,000	–	–	30,000,000	39,002,000	0.50
SHI Lixin	–	–	–	25,000,000	25,000,000	0.32
YAN Weimin	30,000,000	–	–	30,000,000	60,000,000	0.76
ANG Siu Lun, Lawrence	–	–	–	15,000,000	15,000,000	0.19
CHAN Chun Wai, Tony	1,000,000	–	–	2,000,000	3,000,000	0.04
FOK Hon	–	–	–	3,000,000	3,000,000	0.04
MA Gang	–	–	–	3,000,000	3,000,000	0.04

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 2015, 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 2015 were as follows:

Name or category of participant	Number of share options					Outstanding as at 30/06/2015	Date of grant of share options (Note a)	Exercise period of share option	Exercise price per share option HK\$	Price immediately preceding the grant date of share options (Note b) HK\$	Price immediately preceding the exercise date of share options (Note c) HK\$
	Outstanding as at 01/01/2015	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	2.49
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	-	(5,000,000)	-	-	5,000,000	28/05/2012	28/05/2012 – 27/05/2020	0.95	0.91	2.49
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	-	(1,000,000)	-	-	2,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	3.10
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	-	(16,000,000)	-	-	108,000,000					
<b>Employee</b>											
	5,000,000	-	-	-	-	5,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
	1,000,000	-	(750,000)	-	-	250,000	28/05/2012	28/05/2012 – 27/05/2020	0.95	0.91	2.31
	-	9,500,000	(250,000)	-	-	9,250,000	14/05/2015	15/05/2015 – 14/05/2023	2.61	2.55	3.10
Total	130,000,000	9,500,000	(17,000,000)	-	-	122,500,000					

## 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 28 May 2012 and 14 May 2015 under the Share Option Scheme are 100% exercisable on the date of grant of the share options and on 15 May 2015 respectively.

- (b) The price of the Shares disclosed as immediately preceding the grant date of the share options is the Exchange closing price on the trading day immediately prior to the date of the grant of the share options.
- (c) The weighted average closing price of the Shares immediately before the date on which the options were exercised.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2015, 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 2015, 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	51.71
HE Xuechu (Note 2)	57,939,189	22,460,000	4,065,000,000 (Note 1)	4,145,399,189	52.73
FOO Yatyan (Note 2)	22,460,000	4,122,939,189	–	4,145,399,189	52.73
LI Xing Xing	–	–	4,065,000,000 (Note 3)	4,065,000,000	51.71
Geely International (Hong Kong) Limited	2,250,675,675 (Note 4)	–	–	2,250,675,675	28.63
Zhejiang Geely Holding Group Co., Ltd. (Note 5)	–	–	2,250,675,675	2,250,675,675	28.63
LI Shufu (Note 6)	103,064,000	–	2,250,675,675	2,353,739,675	29.94
Shagang International (Hong Kong) Co., Ltd.	446,000,000	–	–	446,000,000	5.67
Jiangsu Shagang Group Co., Ltd. (Note 7)	–	–	446,000,000	446,000,000	5.67
Shen Wenrong (Note 8)	–	–	446,000,000	446,000,000	5.67
Yue Xiu Great China Fixed Income Fund II LP	694,000,000	–	–	694,000,000	8.83
Yue Xiu Investment Management Limited (Note 9)	–	–	694,000,000	694,000,000	8.83
Yue Xiu Investment Consultants Limited (Note 10)	–	–	694,000,000	694,000,000	8.83
Yue Xiu Securities Holdings Limited (Note 11)	–	–	694,000,000	694,000,000	8.83
Yue Xiu Enterprises (Holdings) Limited (Note 12)	–	–	694,000,000	694,000,000	8.83
Guangzhou Yuexiu Holdings Limited (Note 13)	–	–	694,000,000	694,000,000	8.83

**SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES — CONTINUED**  
**Long positions of Substantial Shareholders in the ordinary shares of HK\$0.001 each of the Company — continued**

Notes:

1. The 4,065,000,000 shares were held by Hong Bridge. Mr. HE Xuechu is the controlling shareholder and director holding 68% equity interest of Hong Bridge.
2. Ms. FOO Yatyan is the spouse of Mr. HE Xuechu.
3. Mr. LI Xing Xing holds 32% equity interest of Hong Bridge.
4. The 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.
5. Zhejiang Geely Holding Group Co., Ltd. holds 100% equity interest of Geely International (Hong Kong) Limited.
6. Mr. LI Shufu is the controlling shareholder holding 90% equity interest of Zhejiang Geely Holding Group Co., Ltd.
7. Jiangsu Shagang Group Co., Ltd. holds 100% equity interest of Shagang International (Hong Kong) Co., Ltd.
8. Mr. Shen Wenrong is the controlling shareholder holding 46.99% equity interest of Jiangsu Shagang Group Co., Ltd.
9. Yue Xiu Investment Management Limited holds 100% equity interest of Yue Xiu Great China Fixed Income Fund II LP.
10. Yue Xiu Investment Consultants Limited holds 100% equity interest of Yue Xiu Investment Management Limited.
11. Yue Xiu Securities Holdings Limited holds 100% equity interest of Yue Xiu Investment Consultants Limited.
12. Yue Xiu Enterprises (Holdings) Limited holds 100% equity interest of Yue Xiu Securities Holdings Limited.
13. Guangzhou Yuexiu Holdings Limited holds 100% equity interest of Yue Xiu Enterprises (Holdings) Limited.

Save as disclosed above, as at 30 June 2015, 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 2015, of the loans from ultimate holding company were fully repaid after settlement of HK\$204.4 million principal and HK\$19.7 million interests during the period.

### 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 2015.

### 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 2015.

### 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 2015 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 2015, 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, 12 August 2015