



HONBRIDGE HOLDINGS LIMITED

洪橋集團有限公司

(Stock Code: 8137)



Third Quarterly Report 2010

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

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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 GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this Report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this Report misleading; and (iii) all opinions expressed in this Report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## 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 2010, together with the comparative unaudited figures for the corresponding periods in 2009, as follows:

### Consolidated Statement of Comprehensive Income – Unaudited

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
<b>Revenue</b>	2	<b>14,277</b>	6,087	<b>50,491</b>	18,349
Cost of sales		<b>(13,418)</b>	(3,821)	<b>(44,126)</b>	(12,810)
Gross profit		<b>859</b>	2,266	<b>6,365</b>	5,539
Other operating income		<b>1,472</b>	483	<b>2,207</b>	536
Selling and distribution costs		<b>(1,623)</b>	(1,389)	<b>(5,436)</b>	(4,385)
Administrative expenses		<b>(23,037)</b>	(2,687)	<b>(44,598)</b>	(8,115)
Other operating expenses		–	–	–	(594)
Operating loss		<b>(22,329)</b>	(1,327)	<b>(41,462)</b>	(7,019)
Finance costs		<b>(8,638)</b>	(1,043)	<b>(19,389)</b>	(2,758)
<b>Loss before income tax</b>	3	<b>(30,967)</b>	(2,370)	<b>(60,851)</b>	(9,777)
Income tax expense	5	–	–	–	–
Loss for the period		<b>(30,967)</b>	(2,370)	<b>(60,851)</b>	(9,777)
<b>Other comprehensive income, including reclassification adjustments</b>					
Exchange gain on translation of financial statements of foreign operations		<b>1,477</b>	10	<b>1,926</b>	21
Total comprehensive loss for the period		<b>(29,490)</b>	(2,360)	<b>(58,925)</b>	(9,756)
<b>Loss for the period attributable to:</b>					
Equity holders of the Company		<b>(29,594)</b>	(2,095)	<b>(57,670)</b>	(8,485)
Minority interests		<b>(1,373)</b>	(275)	<b>(3,181)</b>	(1,292)
		<b>(30,967)</b>	(2,370)	<b>(60,851)</b>	(9,777)
<b>Total comprehensive loss for the period attributable to:</b>					
Equity holders of the Company		<b>(28,645)</b>	(2,089)	<b>(56,398)</b>	(8,472)
Minority interests		<b>(845)</b>	(271)	<b>(2,527)</b>	(1,284)
		<b>(29,490)</b>	(2,360)	<b>(58,925)</b>	(9,756)
<b>Basic loss per share loss attributable to the equity holders of the Company during the period</b>	7	<b>HK(0.48) cent</b>	HK(0.05) cent	<b>HK(0.97) cent</b>	HK(0.23) cent

Notes:

## **1. Basis of Presentation**

The unaudited consolidated financial statements for the three months and nine months ended 30 September 2010 have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

These financial statements should be read, where relevant, in conjunction with the 2009 annual report.

The accounting policies and methods of computation used in the preparation of these financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2009.

## **2. Revenue**

Revenue, which is also the Group's turnover, represents the income generated from the sale of highly purified silicon and the publication of magazines.

## **3. Loss Before Income Tax**

During the three months and nine months ended 30 September 2010, loss before income tax is arrived at after charging depreciation and amortisation of approximately HK\$725,000 and HK\$3,204,000 respectively (three months and nine months ended 30 September 2009: HK\$466,000 and HK\$1,905,000 respectively) in respect of the Group's property, plant and equipment.

## **4. Segment Information**

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

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

The Company is an investment holding company and the principal places of the Group's operation in service are Hong Kong, Mainland China and Brazil. For the purpose of segment information disclosures under HKFRS 8, the Group regarded service in Hong Kong, Mainland China and Brazil as its country of domicile.

#### 4. Segment Information (Continued)

Information regarding the Group's reportable segments provided to the Group's most senior management is set out below:

##### Nine months ended 30 September 2010

	Mineral resources exploration HK\$'000	Silicon products HK\$'000	Publications HK\$'000	Total HK\$'000
Reportable segment revenue (external customers)	–	33,044	17,447	50,491
Reportable segment results	(3,018)	(5,387)	(1,561)	(9,966)
Reportable segment assets	1,986,720	76,650	6,708	2,070,078
Reportable segment liabilities	669,868	33,325	8,956	712,149
Capital expenditure	–	–	–	–
Interest income	–	23	166	189
Interest expense	6	541	–	547
Depreciation and amortisation	122	2,874	157	3,153

##### Nine months ended 30 September 2009

	Mineral resources exploration HK\$'000	Silicon products HK\$'000	Publications HK\$'000	Total HK\$'000
Reportable segment revenue (external customers)	–	2,460	15,889	18,349
Reportable segment results	–	(1,838)	(1,231)	(3,069)
Reportable segment assets	–	80,667	8,862	89,529
Reportable segment liabilities	–	33,951	9,762	43,713
Capital expenditure	–	2,228	–	2,228
Interest income	–	91	–	91
Interest expense	–	679	–	679
Depreciation and amortisation	–	870	49	919

#### 4. Segment Information (Continued)

Reportable segment revenue represented turnover of the Group. The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	<b>Nine months ended 30 September</b>	
	<b>2010</b> <b>HK\$'000</b> <b>(Unaudited)</b>	<b>2009</b> <b>HK\$'000</b> <b>(Unaudited)</b>
Reportable segment results	<b>(9,966)</b>	(3,069)
Other operating revenue	<b>2,183</b>	–
Administrative expenses	<b>(34,222)</b>	(4,629)
Other finance costs	<b>(18,846)</b>	(2,079)
	<b>(60,851)</b>	(9,777)

The Group's revenues from external customers and its non-current assets (other than goodwill) are divided into the following geographical areas:

	<b>Nine months ended 30 September</b>	
	<b>2010</b> <b>HK\$'000</b> <b>(Unaudited)</b>	<b>2009</b> <b>HK\$'000</b> <b>(Unaudited)</b>
Revenues from external customers		
Hong Kong	<b>17,447</b>	15,889
Mainland China	<b>33,044</b>	2,460
Reportable segment revenue from external customers	<b>50,491</b>	18,349

The geographical location of customers is based on the location at which the services were provided or the goods delivered.

## 5. 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 2010 (three months and nine months ended 30 September 2009: Nil). No PRC enterprise income tax was provided as the Group has accumulated tax losses brought forward.

## 6. Dividend

The Board has resolved not to declare the payment of an interim dividend for the nine months ended 30 September 2010 (nine months ended 30 September 2009: Nil).

## 7. Loss Per Share

The calculation of basic loss per share for the three months and nine months ended 30 September 2010 are based on the loss attributable to the equity holders of the Company of HK\$29,594,000 and HK\$57,670,000 (three months and nine months ended 30 September 2009: loss of HK\$2,095,000 and HK\$8,485,000) and on the weighted average number of 6,113,883,716 and 5,933,527,496 shares in issue (three months and nine months ended 30 September 2009: weighted average number of 4,212,937,107 and 3,682,390,046 shares in issue respectively).

For the three months and nine months ended 30 September 2010, no diluted loss per share has been presented because the outstanding share options had an anti-dilutive effect.

## 8. Movement of Reserves

	Equity attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Employee compensation reserve HK\$'000	Translation reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Accumulated losses HK\$'000	Minority interest HK\$'000	Total equity HK\$'000
<b>2010</b>										
At 1 January 2010	5,513	44,511	(327)	5,848	3,537	72	-	(82,495)	16,470	(6,871)
Issue of shares	600	447,120	-	-	-	-	-	-	-	447,720
Exercise of share options	1	1,585	-	-	(190)	-	-	-	-	1,396
Issue of convertible notes	-	-	-	-	-	-	363,304	-	-	363,304
Employee share-based compensation	-	-	-	-	28,360	-	-	-	-	28,360
Obtaining control of subsidiary	-	-	-	-	-	(161)	-	-	448,466	448,305
Transactions with owners	601	448,705	-	-	28,170	(161)	363,304	-	448,466	1,289,085
Loss for the period	-	-	-	-	-	-	-	(57,670)	(3,181)	(60,851)
Other comprehensive income	-	-	-	-	-	1,272	-	-	654	1,926
Currency translation	-	-	-	-	-	1,272	-	-	654	1,926
<b>Total comprehensive income</b>	-	-	-	-	-	1,272	-	(57,670)	(2,527)	(58,925)
<b>At 30 September 2010</b>	<b>6,114</b>	<b>493,216</b>	<b>(327)</b>	<b>5,848</b>	<b>31,707</b>	<b>1,183</b>	<b>363,304</b>	<b>(140,165)</b>	<b>462,409</b>	<b>1,223,289</b>

## Management Discussion and Analysis

### Business Review and Strategy

For the nine months ended 30 September 2010, the Group recorded turnover of HK\$50.5 million which comprised HK\$33.0 million from the sale of highly purified silicon and HK\$17.5 million from the publication of magazines. Loss for the third quarter was HK\$31.0 million which is HK\$28.6 million higher than that for the same period last year. The increase was mainly due to the increase in amortisation of share options cost of HK\$17.7 million, deemed loan interest of HK\$0.9 million and deemed convertible notes interest of HK\$6.9 million that have no impact to the Group's cashflows.

The silicon market has been fully recovered from the 2008 financial crisis. Silicon metal prices in China have been increased by more than 35% compared to a year ago. Benefited from the market rebound, our silicon business achieved a record high nine-month turnover of HK\$33.0 million during the period, representing approximately 13.4 times the turnover of the same period in 2009. Segment loss for the period was increased by 193% to HK\$5.4 million, which was mainly due to the increase in the selling and manufacturing costs for the increased turnover volume.

Our publication business accounted for a turnover of HK\$17.5 million, representing a 10% increase compared to the same period in 2009. Segment loss increased from HK\$1.2 million in 2009 to HK\$1.6 million in 2010 which was mainly due to the increase in general and administrative expenses of HK\$1.7 million.

On 24 March 2010, the Group has completed the acquisition of 66% equity interest in Xianglan Do Brasil Mineracao Ltda. ("Xianglan Brazil"). As Xianglan Brazil is engaged in the business of mineral resources exploration, Xianglan Brazil did not contribute revenue to the Group. Segment loss of HK\$3.0 million represented administrative expenses of Xianglan Brazil in the reporting period.

Brazil Xianglan plans to select a suitable port area to build an iron ore collection and distribution centre in order to develop its iron ore trading business. It also seeks the opportunity of leasing iron ore mining business.

### Prospects

The Group under the existing management has been continuously looking for appropriate investment opportunities in the energy and resources sector. To implement such strategy, on 5 March 2010, the Group has entered into a share purchase agreement to acquire the entire issued share capital of an iron exploration company, Sul Americana de Metais S.A. ("SAM") which holds 85 iron exploration licenses in Minas Gerais and Bahia, Brazil. The directors of the Company consider that the acquisition of the entire interest of SAM has milestone significance to the Group's investments in the mining sector.

Subsequent to the signing of the acquisition agreement of SAM, on 26 March 2010, the Company has entered into a strategic cooperation agreement with Xinwen Mining Group Co., Ltd. in relation to the provision of technical support and financial resources to and the investment in the Company.

On 16 June 2010 and 18 June 2010, SAM has entered into memorandum of understanding (MOU) respectively with Minas Gerais and Bahia state governments in the Federative Republic of Brazil ("Brazil") in relation to business cooperation. Under the MOU, the two state governments agreed to provide support and assistance to SAM during its implementation and operation, particularly with regard to the financing and licensing of the iron mining project.

On 21 October 2010, the Group has announced that through its wholly owned subsidiary in Shanghai, the Group has appointed an non-exclusive distributor of steel products in China with amounts not exceeding RMB300 million, RMB2,000 million and RMB2,100 million for each of the financial years ending 31 December 2010, 2011 and 2012 respectively.

The directors of the Company expect that the above acquisitions will enlarge the business scope of the Company and the development and mining activities will be the Group's principal business in the near future.



## Management Discussion and Analysis (Continued)

### Liquidity and Financial Resources

During the nine months ended 30 September 2010, the Group's operation was mainly financed by the internal financial resources and the substantial shareholder of the Group.

As at 30 September 2010, the Group had net current assets of HK\$221.4 million (31 December 2009: net current liabilities of HK\$5.0 million). Current assets comprised inventories of HK\$6.0 million, cash and cash equivalents of HK\$34.4 million, trade and bills receivables of HK\$2.7 million, prepayments and other receivables of HK\$13.2 million, advances to an acquiring business of HK\$125.6 million and financial assets through profit or loss of HK\$73.2 million. Current liabilities comprised trade payables of HK\$3.2 million, other payables, accrued expenses and receipts in advance of HK\$18.2 million and borrowings of HK\$12.3 million.

As at 30 September 2010, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 1.50 (31 December 2009: not available as the Group has negative equity).

The Board is of opinion that taking into account the internal financial resources of the Group and the financial support provided by the substantial shareholder, the Group has sufficient working capital for its present requirements.

### Major Acquisitions

On 5 March 2010, the Company entered into a legally binding definitive agreement with Votorantim Novos Negocios Ltda. ("VNN") and its subsidiaries in which the Group will acquire 100% interest of Sul Americana de Metais S.A. ("SAM") for USD390 million.

The consideration of USD390 million will be settled by five installments upon the completion of: shareholders' approval of the Group; receipt of resources confirmation to the agreed level of and achievement of beneficiation standard and the cost of production to an agreed level; receipt of relevant permits necessary for the mining operation; commencement of port operation and commencement of mining operation. The five installments will be divided into USD10 million, USD65 million, USD115 million, USD100 million and USD100 million.

During the period from the current stage of the mine to the commencement of operation, VNN will provide necessary assistance to SAM in obtaining all the required government licenses for mining in Brazil. If the resources confirmation or the relevant government permits are obtained before schedule; or if the FOB cost is under BRL44 per tonne (adjustable for inflation), then VNN will receive rewards of not more than USD2 million; USD3 million or USD10 million respectively. If the resources confirmation or the relevant government permits are delayed, the consideration will be deducted by a maximum of USD3.75 million. Accordingly, the maximum amount of consideration to be paid by the Group for the SAM acquisition will be USD405 million and the minimum consideration will be USD386.25 million. Apart from that, the Group will provide a loan of USD35 million in total to SAM by seven installments in one year from the signing of the agreement for the resource confirmation and beneficiation tests.

SAM is a limited company incorporated in the Federative Republic of Brazil ("Brazil") holding approximately 85 exploration licenses that are mainly iron ores.

The exploration areas are located along Minas Gerais and Bahia in Brazil, covering an area of approximately 1,220 square kilometres. These mines are divided into nine blocks, namely Block 5, 6, 7, 8, 9, 10, 11, 12 and 13. The phase one drilling program of 98 drill holes totaling 12,616 metres has been completed in Block 7 and Block 8 situated in Minas Gerais covering 192 square kilometres. According to a JORC compliant report prepared by Coffey Mining, a well-known global mining consultant, the indicated and inferred resources reached 239 million tonnes and 2,600 million tonnes of ROM (run of mine), average grade at approximately 20% and prospective resources may reach above 6,000 million tonnes of ROM.

According to the loan agreement entered into between the Company and SAM, the Company has remitted USD19.37 million to SAM, for the purposes of resource confirmation and beneficiation tests. Phase two of intensive drilling program in Block 8 has been commenced on 1 May. As of 27 October, 286 drill holes totaling 41,579 metres have been completed. All of which have captured iron ores. Target of the phase two drill program is approximately 60,000 metres. SAM plans to construct a processing plant and related infrastructure facilities carrying capacity of 25 million tonnes of 65% iron pellet feed per year.

As at the date of this report, the acquisition of SAM has not been completed. For details of the acquisition, please refer to the circular of the Company dated 5 November 2010.

## Management Discussion and Analysis (Continued)

### Capital Commitments

As at 30 September 2010, the Group has contracted but not provided for capital commitments in relation to the acquisition of SAM amounting to USD390 million (equivalent to approximately HK\$3,023 million).

### Contingent Liabilities

As at 30 September 2010, the Group did not have any significant contingent liabilities.

### Progress of Exploration Activities

During the nine months ended 30 September 2010, the Group has no exploration, development or mining production activities.

### Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2010, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, relating to the required standards of dealing by directors of listed issuers, to be notified to the Company and the Stock Exchange were as follows:

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

Name of director	Number of shares in the Company				Total	Approximate percentage of shareholding (%)
	Beneficial owner	Interest of spouse	Interest of controlled corporation	Number of Share option <sup>2</sup>		
HE Xuechu	–	21,816,000	4,095,000,000 <sup>1</sup>	–	4,116,816,000	67.34
LIU Wei, William	–	–	–	40,000,000	40,000,000	0.65
SHI Lixin	–	–	–	30,000,000	30,000,000	0.49
YAN Weimin	–	–	–	30,000,000	30,000,000	0.49
ANG Siu Lun, Lawrance	–	–	–	15,000,000	15,000,000	0.25
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

Note:

1. The 4,095,000,000 shares were held by Hong Bridge Capital Limited ("Hong Bridge"). Hong Bridge is wholly owned by Mr. HE Xuechu.
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

#### Share Option Scheme

The Company's existing share option scheme (the "Scheme") was adopted on 20 December 2001 and became effective on 8 January 2002. Particulars and movements of the outstanding share options granted under the Scheme during period for the nine months ended 30 September 2010 (the "Period") were as follows:

Name or category of participant	Number of share options					Outstanding as at 30/09/2010	Date of grant of share options (Note a)	Exercise period of share options	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 01/01/2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period						
<b>Director</b>											
LIU Wei, William	10,000,000	-	-	-	-	10,000,000	22/11/2007	22/05/2008 – 07/01/2012	1.20	1.20	N/A
	-	30,000,000	-	-	-	30,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
SHI Lixin	10,000,000	-	-	-	-	10,000,000	22/11/2007	22/05/2008 – 07/01/2012	1.20	1.20	N/A
	-	20,000,000	-	-	-	20,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
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
<b>Sub-total</b>	<b>20,000,000</b>	<b>104,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>124,000,000</b>					
<b>Employee</b>											
In aggregate	1,200,000	-	(1,164,000)	-	-	36,000	22/11/2007	22/05/2008 – 07/01/2012	1.20	1.20	2.52
	-	23,700,000	-	-	-	23,700,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
<b>Sub-total</b>	<b>1,200,000</b>	<b>23,700,000</b>	<b>(1,164,000)</b>	<b>-</b>	<b>-</b>	<b>23,736,000</b>					
<b>Others</b>	240,000	-	-	-	-	240,000	15/04/2002	15/04/2003 – 07/01/2012	0.69	0.68	N/A
<b>Total</b>	<b>21,440,000</b>	<b>127,700,000</b>	<b>(1,164,000)</b>	<b>-</b>	<b>-</b>	<b>147,976,000</b>					

## 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)

#### Share Option Scheme (Continued)

Notes:

- (a) All share options granted on 15 April 2002 are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
Within 12 months	Nil
13th – 24th months	33 $\frac{1}{3}$ %
25th – 36th months	33 $\frac{1}{3}$ %
37th – 48th months	33 $\frac{1}{3}$ %

Share options granted on 22 November 2007 are subject to a vesting period of six months and becoming exercisable in whole after then.

- (b) The price of the Shares disclosed as immediately preceding the grant date of share options is the Stock 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.
- (d) As no share options were granted during the nine months ended 30 September 2009, no consideration in respect of share options was received and the disclosure of value of options granted during the Period is also not applicable.

### Convertible Securities, Options, Warrants or Similar Rights

On 24 March 2010, convertible notes of HK\$400 million with an initial conversion price of HK\$1.0 per conversion share of the Company were issued.

During the nine months ended 30 September 2009, there was no conversion of the Company's outstanding convertible notes.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 September 2009, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

## Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

So far as is known to any Director or chief executive of the Company, as at 30 September 2010, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

Name of shareholder	Number of shares in the Company			Total	Approximate percentage of shareholding (%)
	Beneficial owner	Interest of spouse	Interest of controlled corporation		
Hong Bridge	4,095,000,000 (Note 1)	–	–	4,095,000,000	66.98
HE Xuechu	–	21,816,000	4,095,000,000 (Note 1)	4,116,816,000	67.34
FOO Yatyan (Note 2)	21,816,000	4,095,000,000	–	4,116,816,000	67.34
Brilliant People Limited	1,000,000,000 (Note 3)	–	–	1,000,000,000	16.36
Shandong Zhi Xiang Trading Limited	–	–	1,000,000,000 (Note 3)	1,000,000,000	16.36
ZHANG He Xiang	–	–	1,000,000,000 (Note 3)	1,000,000,000	16.36
LIU Heng	–	–	1,000,000,000 (Note 3)	1,000,000,000	16.36

Notes:

1. The 4,095,000,000 shares were held by Hong Bridge. Hong Bridge is wholly owned by Mr. HE Xuechu.
2. Ms. FOO Yatyan is the spouse of Mr. HE Xuechu.
3. The 1,000,000,000 shares held by Brilliant People Limited represent 600,000,000 shares of the Company and HK\$400,000,000 convertible notes with an initial conversion price of HK\$1.0 per conversion share of the Company. Shandong Zhi Xiang Trading Limited, ZHANG He Xiang and LIU Heng are interested in the entire issued share capital of Brilliant People Limited.

Save as disclosed above, as at 30 September 2010, 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.

## Directors' and Management Shareholders' Interests in Competing Business

Mr. FOK Hon, an Independent Non-executive Director of the Company, is also the executive director of All Leaders Publication Group Limited. Since All Leaders Publication Group Limited is engaged in the media and publication business. Mr. FOK is regarded as interested in such competing business of the Group.

Mr YAN Weimin, a non-executive director of the Company, is a shareholder holding 70% equity interests of Shanghai Yingyue Industrial Co. Ltd. ("Yingyue"), a company incorporated in the PRC. Yingyue is principally engaged in the provision of raw materials for construction (including steel products) in the PRC. An indirect wholly-owned subsidiary of the Company, Shanghai Hongying Trading Co. Ltd. ("Hongying Trading"), is a limited liabilities company incorporated in the PRC for the purpose of carrying out trading of steel and steel related products. Hongying Trading has entered into a distribution agreement with Yingyue, pursuant to which, subject to the approval of the Independent Shareholders at the EGM. Yingyue will become a non-exclusive distributor of the steel products sourced by Hongying Trading. Accordingly, Mr YAN is regarded as interested in such competing business of the Group by virtue of his interest in Yingyue.

Save as disclosed above, none of the Directors or the management shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete or had any conflicts of interest with the business of the Group for the nine months ended 30 September 2010.

## Code on Corporate Governance Practices

The Company complied with the Code on Corporate Governance Practices (the "CG Code") of the GEM Listing Rules throughout the nine months ended 30 September 2010.

## 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 2010.

## 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 2010 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 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

As at the date of this Report, the Board comprises (1) Mr. HE Xuechu, Mr. LIU Wei, William and Mr. SHI Lixin as Executive Directors; (2) Mr. YAN Weimin and Mr. ANG Siu Lun, Lawrence as Non-Executive Directors and (3) Mr. CHAN Chun Wai, Tony, Mr. FOK Hon and Mr. MA Gang as Independent Non-Executive Directors.

On behalf of the Board

**LIU Wei, William**

*Director and CEO*

Hong Kong, 5 November 2010