



# HONBRIDGE HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8137)**

## **FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2015**

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

**GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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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## 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 ended 31 March 2015, together with the comparative unaudited figures for the corresponding period in 2014, as follows:

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

	Notes	Three months ended 31 March	
		2015 HK\$'000	2014 HK\$'000
Turnover	2	37,376	1,294
Cost of sales		(25,577)	—
Gross profit		11,799	1,294
Other operating income	3	526	9
Selling and distribution costs		(444)	(30)
Administrative expenses		(21,737)	(8,820)
Operating losses	4	(9,856)	(7,547)
Finance costs	5	(16,304)	(14,965)
Gain on disposals of subsidiaries	6	—	18,161
<b>Loss before tax</b>		<b>(26,160)</b>	<b>(4,351)</b>
Income tax expense	7	(35)	—
<b>Loss for the period</b>		<b>(26,195)</b>	<b>(4,351)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss) gain on translation of financial statements of foreign operations		(1,025,610)	495,075
Release of translation reserve upon disposals of subsidiaries		—	(1,920)
<b>Other comprehensive income, net of tax</b>		<b>(1,025,610)</b>	<b>493,155</b>
<b>Total comprehensive income for the period</b>		<b>(1,051,805)</b>	<b>488,804</b>
<b>Loss for the period attributable to:</b>			
Owners of the Company		(25,941)	(4,351)
Non-controlling interests		(254)	—
		<b>(26,195)</b>	<b>(4,351)</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(1,051,551)	488,804
Non-controlling interests		(254)	—
		<b>(1,051,805)</b>	<b>488,804</b>
<b>Loss per share attributable to the owners of the Company during the period</b>	9		
— Basic		HK(0.40) cents	HK(0.07) cents
— Diluted		N/A	N/A

Notes:

## 1. BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months ended 31 March 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 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>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Sale of lithium batteries	<b>36,886</b>	–
Revenue from trading commodity contracts (note)	<b>490</b>	1,294
	<b>37,376</b>	1,294

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 HK\$246 million (2014: HK\$569 million) during the period.

## 3. OTHER OPERATING INCOME

	<b>For the three months</b>	
	<b>ended 31 March</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Bank Interest income	<b>264</b>	9
Rental income	<b>150</b>	–
Sundry income	<b>112</b>	–
	<b>526</b>	9

#### 4. OPERATING LOSSES

	For the three months ended 31 March	
	2015	2014
	HK\$'000	HK\$'000
Operating losses are arrived at after charging:		
Rental expenses	1,082	1,476
Amortisation of other intangible assets	10,362	–
Depreciation and amortisation	3,872	495

#### 5. FINANCE COSTS

	For the three months ended 31 March	
	2015	2014
	HK\$'000	HK\$'000
Interest charges on bank and other borrowings wholly repayable within five years	154	–
Imputed interest on convertible bonds	15,032	13,318
Interest charges on loans from ultimate holding company	1,118	1,647

#### 6. 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.

## 7. INCOME TAX EXPENSE

	2015 HK\$'000	2014 HK\$'000
Overseas tax		
Current period	(2,681)	–
Deferred tax	2,646	–
Income tax expense	(35)	–

During the period ended 31 March 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.

## 8. DIVIDEND

The Board has resolved not to declare the payment of a dividend for the three months ended 31 March 2015 (three months ended 31 March 2014: Nil).

## 9. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2015 is based on the loss attributable to the owners of the Company of approximately HK\$25,941,000 (loss for the three months ended 31 March 2014: HK\$4,351,000) and on 6,489,162,717 (for the three months ended 31 March 2014: 6,215,679,716) weighted average number of shares.

For the three months ended 31 March 2014 and 2015, diluted losses per share attributable to owners of the Company were not presented because the impact of the exercise of share options and convertible bonds was anti-dilutive.

## 10. MOVEMENT OF RESERVES

Movement of reserves for the Group during the period is set out below:

### Changes in Equity

	Share capital HK\$'000	Share premium HK\$'000	Treasury shares reserve HK\$'000	Other reserve HK\$'000	Share based payment reserve HK\$'000	Translation reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Retained earnings HK\$'000	Non- controlling interest HK\$'000	Total equity HK\$'000
<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	24,742	4,072,505
Sales of treasury shares	-	-	52,948	-	-	-	-	(7,378)	-	45,570
<b>Transactions with owners</b>	-	-	52,948	-	-	-	-	(7,378)	-	45,570
<b>Loss for the period</b>	-	-	-	-	-	-	-	(25,941)	(254)	(26,195)
<b>Other comprehensive income</b>										
Currency translation (Note)	-	-	-	-	-	(1,025,610)	-	-	-	(1,025,610)
<b>Total comprehensive income</b>	-	-	-	-	-	(1,025,610)	-	(25,941)	(254)	(1,051,805)
<b>At 31 March 2015</b>	6,645	1,266,484	(150,184)	48,708	136,873	(3,913,368)	258,836	5,387,788	24,488	3,066,270
<b>At 1 January 2014</b>	6,216	679,331	(276,332)	49,263	136,873	(1,719,904)	258,836	8,677,183	(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>	-	-	-	-	-	-	-	(4,351)	-	(4,351)
<b>Other comprehensive income</b>										
Currency translation	-	-	-	-	-	495,075	-	-	-	495,075
Release of translation reserve upon disposals of subsidiaries	-	-	-	-	-	(1,920)	-	-	-	(1,920)
<b>Total comprehensive income</b>	-	-	-	-	-	493,155	-	(4,351)	-	488,804
<b>At 31 March 2014</b>	6,216	679,331	(276,332)	48,708	136,873	(1,226,749)	258,836	8,673,387	-	8,300,270

Note: The exchange loss recorded during the period was mainly due to the substantial depreciation of Brazilian Reals against Hong Kong dollar.

## 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, battery pack, battery management system (“BMS”), electric motor system and vehicle control module by acquisition. Through integration of technology and innovation, ultimately, produce new energy vehicles and following this direction, a series of industrial layout were set out below.

### 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. Subject to the availability of the necessary funding, the Company plans to build new production line in Shandong Forever New Energy to expand its annual production capacity from 150,000 kWh to about 300,000 kWh in or around mid-2015. It is expected that such new production line could commence production by mid-2016. It is estimated that the capital expenditure for building such new production line would amount to approximately RMB180 million.

During the period ended 31 March 2015, Shandong Forever New Energy, a subsidiary of the Company, recorded a revenue of approximately HK\$36,900,000 (equivalent to approximately RMB29,300,000), which increased significantly by 46% when compared to HK\$25,200,000 (equivalent to approximately RMB19,900,000) revenue recognised in the last corresponding period. The gross profit percentage has also improved substantially from last corresponding period’s 4.7% 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 31 March 2015, Shandong Forever New Energy’s earnings before interests, taxes, depreciation and amortisation (“EBITDA”) was approximately HK\$11,400,000 (equivalent to approximately RMB9,000,000). However, the net loss for the lithium-ion batteries business was approximately HK\$2,700,000 (equivalent to approximately RMB2,100,000) during the period ended 31 March 2015 mainly due to the HK\$10,362,000 (equivalent to approximately RMB8,200,000) 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 first quarter results did not form part of the Group’s consolidated results for the period ended 31 March 2014. They are presented in this announcement for reference purpose only.)

## MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

### Statement of profit or loss for Shandong Forever New Energy prepared in accordance with PRC accounting standards

	Three months ended		Year ended	
	2015 RMB Unaudited	2014 RMB Unaudited	2014 RMB Audited	2013 RMB Audited
Revenue	<b>29,274,485.31</b>	19,944,143.63	<b>137,274,477.83</b>	18,181,156.02
Cost of sales	<b>(20,299,278.17)</b>	(19,003,882.82)	<b>(113,000,695.82)</b>	(22,657,658.52)
Gross profit (loss)	<b>8,975,207.14</b>	940,260.81	<b>24,273,782.01</b>	(4,476,502.50)
Selling and distribution costs	<b>(334,855.64)</b>	(166,034.08)	<b>(1,270,764.10)</b>	(468,539.01)
Administrative expenses	<b>(2,466,437.23)</b>	(2,319,425.52)	<b>(10,753,655.24)</b>	(8,189,211.28)
Finance income (costs)	<b>58,377.05</b>	(189,573.32)	<b>(943,941.69)</b>	467,682.85
Write-down of inventories	–	–	<b>(1,004,723.48)</b>	(5,514,350.97)
<b>Operating profit (loss)</b>	<b>6,232,291.32</b>	(1,734,772.11)	<b>10,300,697.50</b>	(18,180,920.91)
other income	<b>2,389,029.86</b>	2,233,878.99	<b>9,181,371.69</b>	9,141,379.96
other expenses	<b>(145,641.82)</b>	(122.69)	<b>(113,112.30)</b>	(1,261.49)
<b>Profit (loss) before tax</b>	<b>8,475,679.36</b>	498,984.19	<b>19,368,956.89</b>	(9,040,802.44)
Income tax (expenses) credit	<b>(2,118,919.84)</b>	–	<b>(4,842,239.23)</b>	5,553,082.35
<b>Net Profit (loss)</b>	<b>6,356,759.52</b>	498,984.19	<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 announcement, 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.

### **Memorandum of Understanding for the Proposed Acquisition of Protean Holdings Corporation**

On 23 January 2015, the Company signed a non legally-binding memorandum of understanding with Protean Holdings Corporation (“Protean”) and its major shareholder, Oak Investments Partners (the “Vendor”), for the proposed acquisition of Protean. As the parties failed to reach consensus on the terms of the transaction, the parties agreed to terminate the negotiation on the acquisition.

### **Possible Cooperation with New Hope Group Co. Ltd (“New Hope Group”)**

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.

### **Memorandum of Understanding with New Hope Group**

In order to strengthen the relationships between the Company and New Hope Group, on 9 March 2015, the Company and New Hope Group entered into a memorandum of understanding (the “New Hope MOU”) pursuant to which, it is proposed that the Company will issue a convertible bonds and grant an options to New Hope Group. More details of the New Hope MOU have been disclosed in 2014 annual report.

As details of the Possible Cooperation is still under negotiation between the Company and New Hope Group and more time is required for the New Hope Group to perform due diligence, no Formal Agreements have been entered into at the date of this announcement. Nevertheless, the Company and New Hope Group have agreed on 7 May 2015 to extend the effective date of New Hope MOU to 8 July 2015 (or such other date as may be agreed by the parties). Save for the extension of the effective date of the New Hope MOU, all other terms remain unchanged.

### **The Proposed Placing of up to 754,000,000 New Shares (the “Proposed Placing”)**

On 7 May 2015, the Company and ABCI Securities Company Limited (the “Placing Agent”) entered into a placing agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a fully underwritten basis, 754,000,000 new shares of the Company (the “Placing Shares”), to not less than six placees who and whose beneficial owners are independent third parties at a price of HK\$1.12 per Placing Share. The Placing Shares will be allotted and issued pursuant to a specific mandate to be obtained at the coming extraordinary general meeting (the “EGM”).

## MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

### **Agreement with Shagang International (Hong Kong) Co., Limited (“Shagang International”) to Subscribe 446,000,000 New Shares of the Company (the “Subscription Agreement”)**

On 7 May 2015, the Company entered into the Subscription Agreement with Shagang International, pursuant to which Shagang International conditionally agreed to subscribe for and the Company conditionally agreed to issue an aggregate of 446,000,000 new share of the Company (“Subscription Shares”) at a price of HK\$1.12 per Subscription Share (the “Proposed Subscription”).

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, a mineral resources company listed on the ASX Limited (ASX Code: GRR) in Australia.

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.

If both the Proposed Placing and the Proposed Subscription are completed, the placees and Shagang International will hold 9.6% and 5.7% of the enlarged share capital of the Company respectively.

The Board considers that the Proposed Placing and the Proposed Subscription will further strengthen the capital base and financial position of the Company for the Group’s future business developments. In total, the above fund raising involves an issuance of 1,200,000,000 new shares of the Company and net proceeds of approximately HKD1,336,000,000. The fund raising requires the approvals of the EGM. If the fund raising is completed, HKD950 million will be invested into the new energy automotive-related business, HKD200 million will be used as the preliminary working expenses of the iron ore project in Brazil, and the remaining HKD186 million (approximately) will be used as working capital or/and the supplementary funding to the two investments mentioned above.

More details in relation to the Proposed Placing and Proposed Subscription has been set out in the announcement of the Company dated 7 May 2015. Besides, a circular containing further details of, among other things, the Placing, the Subscription, reason for the Placing and Subscription, the use of proceeds and a notice to convene the EGM will be despatched to the Shareholders as soon as practicable.

### **Business Review**

For the period ended 31 March 2015, the Group recorded a turnover of HK\$37.4 million which comprised HK\$36.9 million from the sale of lithium-ion batteries and HK\$0.5 million from trading commodity contracts. Group results changed from loss of HK\$4.4 million for the period ended 31 March 2014 to loss of HK\$26.2 million in current period. It was mainly due to the recognition of HK\$18.2 million gain on disposal of highly purified silicon business in 2014, which if excluded, a loss of HK\$22.5 million would be recorded by the Group for the period ended 31 March 2014.

The EBITDA of the Group was approximately HK\$4.4 million for the period ended 31 March 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\$7.1 million at loss. The improvement was mainly due to the cash flow generated from the lithium-ion batteries business.

## MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

### Liquidity and Financial Resources

During the period ended 31 March 2015, the operation of the Group was mainly financed by the proceeds received from sale of treasury shares.

As at 31 March 2015, the Group had net current assets of HK\$106.8 million (31 December 2014: 132.1 million). Current assets mainly comprised of bank balances and cash of HK\$31.8 million, trade and bill receivables of HK\$381.1 million, prepayments, deposits and other receivables of HK\$42.5 million and inventories of HK\$42.8 million. Current liabilities mainly comprised of trade and bill payables of HK\$328.3 million, other payables and accrued expenses and receipts in advance of HK\$44.6 million.

The HK\$25.3 million decrease in current assets was mainly due to the decrease in HK\$40.5 million bank and cash balances. Although there is a HK\$45.6 million proceeds from sales of treasury shares, the Company has repaid HK\$65 million shareholders loan during the period. The impact was mainly net-off by the increase in inventories by HK\$11.5 million from HK\$31.3 million to HK\$42.8 million.

As at 31 March 2015, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 0.22 (31 December 2014: 0.17).

### Capital Commitments

As at 31 March 2015, the Group has capital commitments amounted to approximately HK\$3.5 million for the acquisition of property, plant and equipment.

### Contingent Consideration and Liabilities

On 5 March 2010, Lit Mining (as the seller), VNN (also as the seller), Esperento, 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 31 March 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 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 period ended 31 March 2015, it is considered that termination of SPA has no material impact on contingent consideration. The Company will assess the situation continuously.

As at 31 March 2015, saved as disclosed above the Group did not have any significant contingent liabilities.

## **MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED**

### **Progress of SAM**

As of the date of this announcement, the Group has provided funding with principal amount of approximately USD61 million to SAM through shareholders' loans and increase of registered capital in SAM. Other details related to the SAM iron ore project have been disclosed in 2014 annual report.

### **Corporate Governance**

Throughout the three months ended 31 March 2015, the Company complied with all Code Provisions and, where appropriate, adopted the Recommended Best Practices as set out in Appendix 15 of the GEM Listing Rules.

### **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. The FOB operating cost (per ton of iron concentrate) of Vale do Rio Pardo is estimated to be approximately USD38.8 (USD33.2 under the exchange rate 1USD = 3.1 Brazilian Reais). The products are still competitive in terms of costs. The Directors expect that SAM Iron Ore Project could enhance the growth potential of the Group. The Company has entered into the Subscription Agreement with Shagang International for the 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 31 March 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:

### (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	57,939,189	22,460,000	4,065,000,000 <sup>1</sup>	–	4,145,399,189	62.39
LIU Wei, William	–	–	–	40,000,000	40,000,000	0.60
SHI Lixin	–	–	–	30,000,000	30,000,000	0.45
YAN Weimin	30,000,000	–	–	30,000,000	60,000,000	0.90
ANG Siu Lun, Lawrence	–	–	–	15,000,000	15,000,000	0.22
CHAN Chun Wai, Tony	–	–	–	3,000,000	3,000,000	0.05
FOK Hon	–	–	–	3,000,000	3,000,000	0.05
MA Gang	–	–	–	3,000,000	3,000,000	0.05

Notes:

1. The 4,065,000,000 shares were held by Hong Bridge Capital Limited ("Hong Bridge"). Mr. HE Xuechu is the controlling shareholder and director holding 68% equity interest of Hong Bridge.
2. This refers to the number of underlying shares of the Company covered by its share option scheme.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 March 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***

Particulars and movements during the period of the outstanding share options granted under the Scheme were as follows:

Name or category of participant	Number of share options					Outstanding as at 31/03/2015	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 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	N/A
SHI Lixin	20,000,000	-	-	-	-	20,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
	10,000,000	-	-	-	-	10,000,000	28/05/2012	28/05/2012 – 27/05/2020	0.95	0.91	N/A
YAN Weimin	30,000,000	-	-	-	-	30,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
ANG Siu Lun, Lawrence	15,000,000	-	-	-	-	15,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
CHAN Chun Wai, Tony	3,000,000	-	-	-	-	3,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
FOK Hon	3,000,000	-	-	-	-	3,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
MA Gang	3,000,000	-	-	-	-	3,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
Sub-total	124,000,000	-	-	-	-	124,000,000					
Employee	5,000,000	-	-	-	-	5,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
	1,000,000	-	-	-	-	1,000,000	28/05/2012	28/05/2012 – 27/05/2020	0.95	0.91	N/A
Total	130,000,000	-	-	-	-	130,000,000					

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

**(2) Long positions in the underlying shares of the Company — continued**

***Details of options granted — continued***

Notes:

- (a) Share options granted on 6 May 2010 are subject to a vesting period and became exercisable in whole or in part in the following manner:

<b>From the date of grant of share options</b>	<b>Exercisable percentage</b>
In the first year	Nil
In the second year (31,925,000 share option "Lot A")	25%
After the second year (95,775,000 share option "Lot B")	75%

Share options granted on 28 May 2012 under the Share Option Scheme are exercisable in whole on the date of grant of the share options.

- (b) The price of the Shares disclosed as immediately preceding the grant date of the share options is the Exchange closing price on the trading day immediately prior to the date of the grant of the share options.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 March 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 31 March 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	61.17
HE Xuechu (Note 2)	57,939,189	22,460,000	4,065,000,000 (Note 1)	4,145,399,189	62.39
FOO Yatian (Note 2)	22,460,000	4,122,939,189	–	4,145,399,189	62.39
LI Xing Xing	–	–	4,065,000,000 (Note 3)	4,065,000,000	61.17
Geely International (Hong Kong) Limited	2,250,675,675 (Note 4)	–	–	2,250,675,675	33.87
Zhejiang Geely Holding Group Co., Ltd. (Note 5)	–	–	2,250,675,675	2,250,675,675	33.87
LI Shufu (Note 6)	103,064,000	–	2,250,675,675	2,353,739,675	35.42

Notes:

- The 4,065,000,000 shares were held by Hong Bridge. Mr. HE Xuechu is the controlling shareholder and director holding 68% equity interest of Hong Bridge.
- Ms. FOO Yatian is the spouse of Mr. HE Xuechu.
- Mr. LI Xing Xing holds 32% equity interest of Hong Bridge.
- The 2,250,675,675 shares held by Geely International (Hong Kong) Limited represent 2,000,000,000 shares through a HK\$740,000,000 convertible notes with a conversion price of HK\$0.37 per conversion share of the Company and the remaining 250,675,675 represents ordinary shares held.
- Zhejiang Geely Holding Group Co., Ltd. holds 100% equity interest of Geely International (Hong Kong) Limited.
- Mr. LI Shufu is the controlling shareholder holding 90% equity interest of Zhejiang Geely Holding Group Co., Ltd.

Save as disclosed above, as at 31 March 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.



## **CONVERTIBLE BONDS**

As at 31 March 2015, a convertible bonds of HK\$740 million with a conversion price of HK\$0.37 per conversion share of the Company were outstanding.

During the three months ended 31 March 2015, there was no conversion of the Company's outstanding convertible bonds.

## **CONNECTED TRANSACTIONS**

As at 31 March 2015, Hong Bridge Capital Limited, the ultimate holding company of the Company, provided loans in principal amount aggregating HK\$134.4 million to the Group. The loans are interest free in the first two years from drawdown dates and bear interest at prime rate minus 1.25% per annum starting from the third year.

For the three months ended 31 March 2015, the Group has interest expense charged on loans from ultimate holding company of approximately HK\$1.1 million.

## **DIRECTORS' AND MANAGEMENT SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS**

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 three months ended 31 March 2015.

## **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 three months ended 31 March 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 three months ended 31 March 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.

## **REMUNERATION COMMITTEE**

Remuneration Committee was set up on 23 March 2005. Current Committee members are Mr. FOK Hon (Chairman of the Committee), Mr. MA Gang, Mr. CHAN Chun Wai, Tony, Mr. HE Xuechu and Mr. LIU Wei, William. The Committee meets at least once every year. Additional meetings shall be held as the work of the Committee demands. The Committee formulates remuneration policy for approval by the Board, which takes into consideration factors such as salaries paid by comparable companies, employment conditions, and responsibilities, and individual performance of the directors, senior management, and the general staff. Performance is measured against corporate goals and objectives resolved by the Board from time to time; and implement the remuneration laid down by the Board.

## **NOMINATION COMMITTEE**

Nomination Committee was set up on 28 March 2012. Current Committee members are Mr. CHAN Chun Wai, Tony (Chairman of the Committee), Mr. LIU Wei, William, Mr. ANG Siu Lun Lawrence, Mr. FOK Hon and Mr. MA Gang. The Committee meets at least once every year. Additional meetings shall be held as the work of the Committee demands. The Committee formulates nomination policy for the Board's consideration and implement the Board's approved nomination policy.

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

During the three months ended 31 March 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 announcement, 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 May 2015