HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8137)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

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 Announcement, 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, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this Announcement 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 Announcement misleading; and (iii) all opinions expressed in this Announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This Announcement will remain on the " Latest Company Announcements" page of the GEM website www.hkgem.com for at least seven days from the date of its publication and on the website of the Company at www.8137.hk.

GROUP RESULTS

The board of directors (the “Board”) of Honbridge Holdings Limited (the “Company”) announced the annual consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2013 together with the comparative audited figures for last financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	**2013** *HK$’000*	2012 *HK$’000*
Turnover	4	**10,365**	415,306
Direct operating expenses		**(2,778)**	(412,442)
Other operating income		**6,971**	8,190
Selling and distribution costs		**(432)**	(1,180)
Administrative expenses		**(60,143)**	(27,284)
Other operating expenses		**(54,924)**	(55,069)
Share-based payment expenses		**–**	(23,980)
Impairment of exploration and evaluation assets		**–**	(171,398)
Gain on disposals of subsidiaries	6	**73,188**	–
Gain on bargain purchase	7	**9,277,141**	–
Finance costs		**(69,539)**	(61,200)
Profit/(Loss) before income tax		**9,179,849**	(329,057)
Income tax credit	8	**–**	58,767
Profit/(Loss) for the year		**9,179,849**	(270,290)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(1,754,454)**	(94,403)
Release of translation reserve upon disposals of subsidiaries		**123,560**	–
Other comprehensive income for the year, net of tax		**(1,630,894)**	(94,403)
Total comprehensive income for the year		**7,548,955**	(364,693)
Profit/(Loss) for the year attributable to:			
Owners of the Company		**9,182,596**	(221,699)
Non-controlling interests		**(2,747)**	(48,591)
		9,179,849	(270,290)
Total comprehensive income attributable to:			
Owners of the Company		**7,562,432**	(283,462)
Non-controlling interests		**(13,477)**	(81,231)
		7,548,955	(364,693)
Earnings/(Losses) per share	11		
— Basic		**HK150.88 cents**	HK(3.57) cents
— Diluted		**HK124.71 cents**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**6,793**	1,219
Exploration and evaluation assets	14	**15,140,419**	–
Prepaid land lease payments		**22,184**	21,403
Goodwill	15	**–**	–
Deposits for acquisition of business		**–**	81,265
Loans to an acquiring business		**–**	262,434
		15,169,396	366,321
Current assets			
Inventories		**–**	2,777
Trade and bill receivables	12	**250,779**	261,437
Prepayments and other receivables		**7,662**	96,366
Derivative financial assets		**–**	6,569
Restricted bank deposits		**–**	40,341
Cash and cash equivalents		**86,142**	2,360
		344,583	409,850
Assets of disposal group classified as held for sale	10	**–**	1,271,161
Total current assets		**344,583**	1,681,011
Current liabilities			
Trade and bill payables	13	**237,032**	267,855
Other payables, accrued expenses and receipts in advance		**75,295**	28,451
Borrowings		**2,691**	127,797
Loans from non-controlling interest of a subsidiary		**6,800**	6,800
		321,818	430,903
Liabilities of disposal group classified as held for sale	10	**–**	431,440
Total current liabilities		**321,818**	862,343

	2013	2012
	HK$'000	*HK$'000*
Net current assets	**22,765**	818,668
Total assets less current liabilities	**15,192,161**	1,184,989
Non-current liabilities		
Derivative financial liabilities	**92,511**	–
Loans from ultimate holding company	**228,794**	330,194
Convertible bonds	**433,660**	270,175
Deferred tax liabilities	**5,044,761**	693
Contingent consideration payables	**1,590,274**	–
	7,390,000	601,062
Net assets	**7,802,161**	583,927
EQUITY		
Equity attributable to the owners of the Company		
Share capital	**6,216**	6,216
Reserves	**7,805,250**	298,523
	7,811,466	304,739
Non-controlling interests	**(9,305)**	279,188
Total equity	**7,802,161**	583,927

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to the 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 bond equity reserve*	(Accumulated losses)/ Retained earnings*	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	6,206	651,041	–	38,451	365,042	(37,977)	363,304	(828,870)	557,197	360,419	917,616
Issue of shares	10	28,290	–	–	(28,300)	–	–	–	–	–	–
Arising from loans from ultimate holding company	–	–	–	7,024	–	–	–	–	7,024	–	7,024
Equity-settled share-based transactions	–	–	–	–	23,980	–	–	–	23,980	–	23,980
Lapse of share options	–	–	–	–	(3,341)	–	–	3,341	–	–	–
Transactions with owners	10	28,290	–	7,024	(7,661)	–	–	3,341	31,004	–	31,004
Loss for the year	–	–	–	–	–	–	–	(221,699)	(221,699)	(48,591)	(270,290)
Other comprehensive income											
Currency translation	–	–	–	–	–	(61,763)	–	–	(61,763)	(32,640)	(94,403)
Total comprehensive income	–	–	–	–	–	(61,763)	–	(221,699)	(283,462)	(81,231)	(364,693)
At 31 December 2012 and 1 January 2013	6,216	679,331	–	45,475	357,381	(99,740)	363,304	(1,047,228)	304,739	279,188	583,927
Arising from loans from ultimate holding company	–	–	–	3,788	–	–	–	–	3,788	–	3,788
Issue of convertible bonds	–	–	–	–	–	–	258,836	–	258,836	–	258,836
Disposals of subsidiaries	–	–	(276,332)	–	–	–	(41,997)	–	(318,329)	(275,016)	(593,345)
Lapse of share options	–	–	–	–	(220,508)	–	–	220,508	–	–	–
Transactions with owners	–	–	(276,332)	3,788	(220,508)	–	216,839	220,508	(55,705)	(275,016)	(330,721)
Profit for the year	–	–	–	–	–	–	–	9,182,596	9,182,596	(2,747)	9,179,849
Other comprehensive income											
Currency translation	–	–	–	–	–	(1,743,724)	–	–	(1,743,724)	(10,730)	(1,754,454)
Release of translation reserve upon disposals of subsidiaries	–	–	–	–	–	123,560	–	–	123,560	–	123,560
Total comprehensive income	–	–	–	–	–	(1,620,164)	–	9,182,596	7,562,432	(13,477)	7,548,955
Transfer of reserves	–	–	–	–	–	–	(321,307)	321,307	–	–	–
At 31 December 2013	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

* The aggregate amount of these balances of HK$7,805,250,000 (2012: HK$298,523,000) is included as reserves in the consolidated statement of financial position.

Notes:

1. GENERAL INFORMATION

Honbridge Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Revision) of the Cayman Islands. The address of the Company's registered office is 4th Floor, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands and the Company's principal place of business is Suite 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are production and sale of highly purified silicon, exploration and trading of mineral resources and the trading of metal products. The Company and its subsidiaries are collectively referred to as the "Group" hereinafter. The directors of the Company (the "Directors") consider the ultimate holding company as Hong Bridge Capital Limited ("Hong Bridge"), a company incorporated in the British Virgin Islands (the "BVI") with limited liability.

As detailed in the Company's announcement dated 19 December 2012, in December 2012, management intended to dispose of its equity interests in Hill Talent Limited ("Hill Talent") as the Group would like to focus all its resource in another project and started looking for potential buyers. Hill Talent beneficially owned as to 66% of the issued shares of Xianglan Do Brasil Mineracao Ltda ("Xianglan Brazil"), which directly held 95% of the issued share capital of Minerales de Mexico, S.A. de C.V. ("Minerales Mexico") and the entire issued share capital of Sinwon S.A. Hill Talent and its subsidiaries were collectively referred to as the "Hill Talent Group". On 4 January 2013, the Company entered into the Conditional Disposal Agreement with Brilliant People Limited ("Brilliant People") to sell the entire issued share capital of Hill Talent (the "Disposal"), for a consideration of HK$715,000,000 (the "Disposal Consideration"). Details of the Disposal are set out in the Company's announcement dated 4 January 2013. The Disposal constituted a major transaction and was approved by the shareholders in the extraordinary general meeting on 18 April 2013. As management considered that the Disposal was highly probable as at 31 December 2012, in accordance with HKFRS 5, assets and liabilities of the Hill Talent Group as at 31 December 2012 were classified as assets/liabilities of disposal group classified as held for sale in the Group's consolidated statement of financial position (note 10). The Disposal was completed on 6 June 2013.

On 5 March 2010, Infinite Sky Investments Limited ("Infinite Sky"), a wholly-owned subsidiary of the Company, entered into the share purchase agreement (the "SAM Agreement") to acquire the entire issued share capital of Sul Americana de Metais S.A. ("SAM") in Brazil (the "SAM Acquisition") for a total consideration of US$390 million (equivalent to approximately HK$3,023 million). SAM was incorporated in Brazil with principal activity of research and exploration of iron ore. Details of this acquisition were set out on the Company's announcement dated 16 April 2010. During the year, the SAM Acquisition was completed on 28 March 2013 and the financial statements of SAM was consolidated into the Group's consolidated financial statements from this date.

Other than the Disposal and the SAM Acquisition, there were no significant changes in the Group's operation during the year.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange (the "GEM Listing Rules").

The financial statements are presented in Hong Kong Dollars ("HK$") which is also the functional currency of the Company. All values are rounded to the nearest thousand ("HK$'000"), except when otherwise indicated.

2. ADOPTION OF NEW OR AMENDED HKFRSS

During the year, the Group has adopted all the amended HKFRSs which are first effective for the reporting year and relevant to the Group. Except as explained below, the adoption of these amended HKFRSs did not result in material changes to the Group's accounting policies.

Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income

The amendments change the disclosure of items presented in other comprehensive income in the statement of comprehensive income and require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The title used by HKAS 1 for the statement of comprehensive income has been changed to "Statement of profit or loss and other comprehensive income". The Group has chosen to use this new title.

HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor.

An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 13 — Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance.

At the date of this announcement certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the impact of the new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements. Information on new and amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

HKFRS 9 Financial instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for de-recognition of financial assets and financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared under historical cost convention except for certain financial instruments which are measured at fair values.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

The consolidated financial statements have been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group suffered a loss of HK$97,292,000 (before recognition of one-off gain on bargain purchase of HK$9,277,141,000 arising from SAM Acquisition) for the year ended 31 December 2013 (2012: HK$270,290,000). The going concern basis has been adopted on the basis that (1) the Company's ultimate holding company, Hong Bridge, and its two shareholders have undertaken to provide financial support to the Group to meet its liabilities as they fall due and to maintain the Group as a going concern for a period at least up to 31 March 2015 and (2) the Company has signed certain Memorandum of Understanding ("MOU") and framework agreement with its strategic partners to obtain funding for the future construction cost and operations of the SAM Operations which will be commenced with mining licenses are granted by the Brazilian authorities.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. These adjustments have not yet been reflected in the financial statements.

4. 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 year are as follows:

	2013	2012
	HK$'000	*HK$'000*
Sale of silicon products	**2,157**	8,558
Sale of copper and steel products	**–**	400,623
Sale of iron ore and manganese products	**–**	1,173
Revenue from trading commodity contracts *(note)*	**8,208**	4,952
	10,365	415,306

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$2,923 million (2012: HK$2,458 million) during the year.

5. SEGMENT INFORMATION

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

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

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

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

	Mineral resources exploration and trading *HK$'000*	Silicon products *HK$'000*	Total *HK$'000*
Year ended 31 December 2013			
Reportable segment turnover (external customers)	**8,208**	**2,157**	**10,365**
Reportable segment profit/(loss)	**9,306,080**	**(6,741)**	**9,299,339**
Reportable segment assets	**15,415,311**	**22,219**	**15,437,530**
Reportable segment liabilities	**1,867,230**	**43,721**	**1,910,951**
Capital expenditure	**3,961**	**–**	**3,961**
Impairment of trade receivables	**12,782**	**38**	**12,820**
Write-off of other receivables	**–**	**3,215**	**3,215**
Write-down of inventories	**–**	**369**	**369**
Gain on bargain purchase	**(9,277,141)**	**–**	**(9,277,141)**
Gain on disposals of subsidiaries	**(73,188)**	**–**	**(73,188)**
Interest income	**(1,121)**	**–**	**(1,121)**
Interest expense	**2,657**	**–**	**2,657**
Depreciation	**1,115**	**–**	**1,115**
Amortisation charge	**–**	**500**	**500**
Year ended 31 December 2012			
Reportable segment turnover (external customers)	406,748	8,558	415,306
Reportable segment loss	(180,183)	(40,991)	(221,174)
Reportable segment assets	1,667,286	28,631	1,695,917
Reportable segment liabilities	386,992	42,720	429,712
Capital expenditure	4	470	474
Impairment loss on exploration and evaluation assets	171,398	–	171,398
Impairment loss on property, plant and equipment	–	23,083	23,083
Write-off of other receivables	3,779	1,582	5,361
Write-down of inventories	–	11,995	11,995
Interest income	(667)	(3)	(670)
Interest expense	–	372	372
Depreciation	619	1,745	2,364
Amortisation charge	–	484	484

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:

	2013	2012
	HK$'000	*HK$'000*
Reportable segment turnover	**10,365**	415,306
Reportable segment profit/(loss)	**9,299,339**	(221,174)
Other operating income	**3,858**	6,324
Administrative expenses	**(18,325)**	(14,892)
Other operating expenses	**(38,141)**	(14,507)
Share-based payment expenses	**–**	(23,980)
Finance costs	**(66,882)**	(60,828)
Profit/(Loss) before income tax	**9,179,849**	(329,057)
Reportable segment assets	**15,437,530**	1,695,917
Property, plant and equipment	**1,035**	–
Deposit for acquisition of a business	**–**	81,265
Loans to an acquiring business	**–**	262,434
Prepayments and other receivables	**5,320**	913
Derivative financial assets	**–**	6,569
Cash and cash equivalents	**70,094**	234
	15,513,979	2,047,332
Reportable segment liabilities	**1,910,951**	429,712
Other payables and accrued expenses	**1,141**	1,340
Derivative financial liabilities	**92,511**	–
Loans from ultimate holding company	**228,794**	330,194
Convertible bonds	**433,660**	270,175
Deferred tax liabilities	**5,044,761**	431,984
	7,711,818	1,463,405

The Group's turnover from external customers and its non-current assets (assets of disposal group classified as held for sale and other financial assets are not included) are divided into the following geographical areas:

	2013	2012
	HK$'000	*HK$'000*
Turnover from external customers		
PRC	**10,365**	414,133
Latin America	**–**	1,173
Reportable segment turnover	**10,365**	415,306
Non-current assets		
Hong Kong	**1,035**	81,265
PRC	**22,939**	22,622
Latin America	**15,145,422**	–
Reportable segment non-current assets	**15,169,396**	103,887

Geographical location of customers is based on the location at which the goods are delivered whilst geographical location of non-current assets (other than assets of disposal group classified as held for sale) is determined based on the physical location of the asset.

During the year, over 57% (2012: 79%) of the Group's turnover derived from 2 (2012: 3) major customers in the mineral resources exploration and trading segment and 1 (2012: Nil) major customer in the silicon products segment. Turnover generated from these 2 (2012: 3) major customers in the mineral resources exploration and trading segment are HK$2,586,000 and HK$1,862,000 (2012: HK$180,789,000, HK$81,184,000 and HK$68,737,000) and turnover generated from the major customer in the silicon products segment is HK$1,449,000 (2012: Nil).

6. DISPOSALS OF THE HILL TALENT GROUP

On 6 June 2013, the Group completed the disposal of its entire share capital of Hill Talent. Net assets of the Hill Talent Group at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Exploration and evalvation assets	**1,221,556**
Property, plant and equipment	**112**
Prepayments, deposits and other receivables	**1,309**
Cash and cash equivalents	**562**
Other payables and accruals	**(122)**
Deferred tax liabilities	**(415,313)**
	808,104
Non-controlling interests	**(275,016)**
Release of translation reserve upon disposals of Hill Talent Group to profit or loss	**123,560**
Gain on disposals of subsidiaries	**73,188**
Total consideration	**729,836**
Satisfied by:	
Cash consideration	**111,150**
Repurchase and cancellation of 2010 CB *(note (i))*	**342,354**
Promissory note *(note (ii))*	**276,332**
	729,836

An analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries was as follows:

	HK$'000
Cash consideration received	**111,150**
Cash and cash equivalents disposed of	**(562)**
Net inflow of cash and cash equivalents in respect of the disposals of the Hill Talent Group	**110,588**

Notes:

(i) 2010 CB were issued to Brilliant People on 24 March 2010 and can be converted into 400,000,000 ordinary shares of the Company per HK$1 bond at par. The convertible bonds were repurchased and cancelled upon the Disposal. The fair values of derivative, liability and equity components of the convertible bonds are as follows:

	HK$'000
Derivative financial assets	(3,943)
Liability component	304,300
Equity component	41,997
	342,354

The fair value of 2010 CB as at disposal date has been determined with reference to the valuation performed by an independent valuer.

(ii) Brilliant People issued interest-free promissory note with principal amount of HK$203.85 million with a repayment term of three years. The promissory note is secured by 226,500,000 ordinary shares of the Company ("Charged Shares"), which were owned by Brilliant People. In accordance with the promissory note agreement, Brilliant People deposited the Charged Shares with an escrow agent and instructed the escrow agent to sell the Charged Shares on the open market and apply the proceeds of sale of the Charges Share for payment of the outstanding principal amount of the promissory note during the repayment term. Once Brilliant People deposited the Charged Shares with the escrow agent, Brilliant People is deemed to have discharged its entire payment obligation under the promissory note. The entire proceeds of sale of all the Charged Shares will be applied for payment of the principal amount of the promissory note. Whether the proceeds of sale of all the Charged Shares are higher or lower than the principal amount of the promissory note, the Company shall be entitled to the entire sale proceeds. Accordingly, the fair value of the Charged Shares at the date of disposal of HK$276,332,000 was recognised directly in the "treasury shares reserve" in equity. As at 31 December 2013, no Charged Shares were sold.

7. BUSINESS COMBINATION

On 28 March 2013, the Group obtained the control of the entire interests of SAM, a company incorporated in Brazil with principal activity of research and exploration of iron ore. The acquisition was made with the aims to explore the Group's new investment opportunities in the energy and resources sector. Details of the SAM Acquisition were set out in the Company's circulars dated 5 November 2010.

The fair value of identifiable assets and liabilities of SAM as at the date of acquisition were:

	HK$'000	*HK$'000*
Property, plant and equipment	2,168	
Exploration and evaluation assets	17,688,504	
Cash and cash equivalents	3,880	
Other receivables	1,166	
Other payables	(20,019)	
Loan from the Group	(315,319)	
Deferred tax liabilities recognised upon fair value adjustments	(5,906,774)	
		11,453,606
The fair value of consideration transfer:		
Deposits for acquisition of business	81,265	
Cash paid (stage 2 payment)	504,926	
Contingent consideration payables	1,590,274	
		2,176,465
Gain on bargain purchase		9,277,141
Purchase consideration settled in cash		(504,926)
Cash and cash equivalents acquired		3,880
Cash outflow on acquisition of subsidiaries		(501,046)

During the period of negotiation of the SAM Acquisition, there was lower level of measured and indicated mineral resources of SAM. Upon the completion of the SAM Acquisition, the level of measured and indicated mineral resources increased significantly when further drilling works performed and resulted in the gain on bargain purchase of HK$9,277,141,000, which was recognised in profit or loss during the year. Details of the increase in mineral resources of SAM are set out in the Company's circular dated 5 November 2010 and announcement dated 4 April 2011.

SAM had not yet commenced production. Since the acquisition date, SAM has contributed no revenue to the Group's revenue and loss of HK$33,745,000 to the Group's profit for the year. Had the SAM Acquisition been completed on 1 January 2013, total Group revenue for the year would have remained unchanged but profit for the year would have been decreased by approximately HK$6,700,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results. SAM Acquisition's related costs of HK$2,300,000 have been expensed and are included in other operating expenses.

Contingent consideration payables

Pursuant to the SAM Agreement, after the payments of US$10 million (Stage 1) and of US$65 million (Stage 2) made in 2010 and 2013 respectively, the Group is committed to pay the consideration outstandings of stage 3 payment of US$115 million, stage 4 payment of US$100 million and stage 5 payment of US$100 million upon completion of approvals of required licenses and permits, commencement of port operation and commencement of mining production respectively.

On 7 February 2013, the Group entered into a supplementary agreement in connection with the SAM Acquisition to the sellers (the "Supplementary SAM Agreement"). Pursuant to the Supplementary SAM Agreement, stage 4 and 5 payments would be reduced from US$100 million and US$100 million respectively to US$40 million and US$40 million respectively, if stage 3 payment of US$115 million is paid at a date that is on or before six-month anniversary of the date of completion of SAM Acquisition. No stage 3 payment was made as at 31 December 2013 and the Supplementary SAM Agreement was expired accordingly.

The potential undiscounted amount of the contingent consideration payables that the Group could be required to make under the Supplementary SAM Agreement is between Nil (if conditions for stage 3 to 5 payments were not fulfilled) to US$315 million (if stage 3 payment was not paid on or before the early repayment date).

The contingent consideration payables represent the fair value of the obligation for the consideration payable in accordance with the SAM Agreement and are estimated by independent professional valuers. The fair value of the contingent consideration payables was estimated by applying income approach at a discount rate of 14.75% and the probability-weighted average of payouts associated with possible repayment schedules of SAM Agreement and the Supplementary SAM Agreement.

The fair value of the contingent consideration payables as at 31 December 2013 are taken into account for the calculation of gain on bargain purchase as the management obtained additional information to identify and measure the contingent consideration payables during the measurement period in accordance with HKFRS 3 "Business Combinations".

8. INCOME TAX CREDIT

During the years ended 31 December 2013 and 31 December 2012, no provision for Hong Kong profits tax and overseas income tax has been provided by the Group as the Group had no estimated assessable profit arising in or derived from Hong Kong or in the jurisdiction in which the Group operates.

9. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2013 (2012: Nil).

10. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In December 2012, management intended to dispose of its equity interests in Hill Talent and its subsidiaries as the Group would like to focus all its resource in another project and started looking for potential buyers. Hill Talent beneficially owned as to 66% of the issued shares of Xianglan Brazil, which directly held 95% of the issued share capital of Minerales Mexico, and the entire issued share capital of Sinwon S.A.

On 4 January 2013, the Company entered into the Conditional Disposal Agreement with Brilliant People to sell the entire issued share capital of Hill Talent (the "Disposal"), for a consideration of HK$715 million (the "Disposal Consideration"). Details of the Disposal are set out in the Company's announcement dated 4 January 2013.

There were subsequent changes in the terms of the Conditional Disposal Agreement and a supplementary agreement was entered into by the Group on 1 February 2013 to amend the payment terms of the consideration. Details of the supplementary agreement are set out in the Company's announcements dated 1 February 2013. The Disposal constituted a major transaction and was subject to the approval of shareholders in the extraordinary general meeting. As management considered that the Disposal was highly probable as at 31 December 2012, in accordance with HKFRS 5, assets and liabilities of the Hill Talent Group as at 31 December 2012 were classified as assets/liabilities of disposal group classified as held for sale in the Group's consolidated statement of financial position as at 31 December 2012. The Disposal was completed on 6 June 2013.

An analysis of assets and liabilities of the Hill Talent Group classified as held for sale as at 31 December 2012 was as follows:

	HK$'000
Assets of the Hill Talent Group:	
Property, plant and equipment	209
Exploration and evaluation assets	1,268,503
Prepayments and other receivables	1,435
Cash and cash equivalents	1,014
	1,271,161
Liabilities of the Hill Talent Group	
Other payables, accrued expenses and receipts in advance	149
Deferred tax liabilities	431,291
	431,440

As the operations of the Hill Talent Group did not represent the major line of business segment of mineral resources exploration and trading of the Group, its operations were not presented as discontinued operations for the years ended 31 December 2013 and 2012.

11. EARNINGS/(LOSSES) PER SHARE

The calculation of basic earnings/(losses) per share is based on the profit/(loss) attributable to owners of the Company of HK$9,182,596,000 (2012: loss of HK$221,699,000) and weighted average of 6,085,985,000 (2012: 6,212,557,000) ordinary shares in issue during the year.

For the year ended 31 December 2013, the calculation of the diluted earnings per share attributable to the owners of the Company is based on the following data:

	HK$'000
Earnings for the purposes of basic earnings per share	9,182,596
Effect of dilutive potential ordinary shares:	
Interest on convertible bonds	50,994
Fair value losses on derivative financial assets	2,626
Loss on de-recognition of liability component of convertible bond	12,684
Fair value loss on derivative financial liabilities	15,454
Earnings for the purposes of diluted earnings per share	9,264,354

Number of shares	*'000*
Weighted average number of ordinary shares for the purposes of basic earnings per share	6,085,985
Effect of dilutive potential ordinary shares:	
— options	21,000
— convertible loan notes	1,321,644
Weighted average number of ordinary shares for the purposes of diluted earnings per share	7,428,629

For the year ended 31 December 2012, 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.

12. TRADE AND BILL RECEIVABLES

Group

	2013	2012
	HK$'000	*HK$'000*
Trade receivables, gross	**263,599**	111,673
Less: Impairment	**(12,820)**	–
Trade receivables, net	**250,779**	111,673
Bill receivables	**–**	149,764
Trade and bill receivables	**250,779**	261,437

As at 31 December 2012, bill receivables of HK$149,764,000 were pledged to the banks for trading facilities and bank borrowings, endorsed to suppliers or discounted to the banks with recource. These receivables were recognised as assets in the consolidated financial statements as the Group was exposed to credit risk on these receivables as at that date. Accordingly, the liabilities associated with such bills, mainly borrowings and trade and bill payables were not de-recognised in the consolidated financial statements.

The Group allows a credit period from 0 day to 180 days (2012: 0 days to 120 days) to its trade customers. The following is ageing analysis of net trade and bill receivables at the reporting date:

	2013	2012
	HK$'000	HK$'000
0–30 days	**77,399**	260,817
31–90 days	**120,036**	–
Over 180 days	**53,344**	620
	250,779	261,437

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 31 December 2013, the Group determined trade receivables of HK$12,820,000 (2012: Nil) as impaired and as a result, impairment loss of HK$12,820,000 (2012: Nil) has been recognised. The impaired trade receivables are due from the customer experiencing financial difficulties.

Ageing analysis of trade and bill receivables that were past due as at the reporting date but not impaired, based on the due date is as follows:

	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**197,435**	149,764
1–90 days past due	**–**	111,053
Over 180 days past due	**53,344**	620
	53,344	111,673
	250,779	261,437

Trade and bill receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade and bill receivables that were past due but not impaired related to customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

13. TRADE AND BILL PAYABLES

Group

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**237,032**	205,585
Bill payables	**–**	62,270
	237,032	267,855

As at 31 December 2012, bill payables were secured by the Group's bill receivables of HK$30,239,000 and the Group's restricted bank deposits of HK$32,031,000.

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:

	2013	2012
	HK$'000	*HK$'000*
0–30 days	**52,824**	179,514
31–60 days	**119,948**	–
61–90 days	**–**	10,027
91–180 days	**–**	67,535
Over 180 days	**64,260**	10,779
	237,032	267,855

14. EXPLORATION AND EVALUATION ASSETS

Group

	2013	2012
	HK$'000	*HK$'000*
At 1 January		
Cost	**–**	1,879,247
Accumulated impairment	**–**	(298,247)
Net book amount	**–**	1,581,000
For the year ended 31 December		
Opening net book amount	**–**	1,581,000
Acquired through business combination *(note 7)*	**17,688,504**	–
Additions	**37,904**	–
Exchange realignments	**(2,585,989)**	(141,099)
Impairment losses	**–**	(171,398)
Reclassified to assets of disposal group classified as held for sale *(note 10)*	**–**	(1,268,503)
Net book amount	**15,140,419**	–
At 31 December		
Cost	**15,140,419**	–
Accumulated impairment	**–**	–
Net book amount	**15,140,419**	–

As at 31 December 2012, the Directors reviewed the carrying amount of exploration and evaluation assets with reference to the consideration for the disposal of the Hill Talent Group, impairment loss of HK$171,398,000 was identified and recognised in profit or loss for the year ended 31 December 2012.

Exploration and evaluation assets as at 31 December 2013 was acquired through acquisition of SAM as detailed in the Company's announcement on 28 March 2013 and represented the rights to explore and identify prospective deposits of mineral resources in the states of Minas Gerais and Bahia, Brazil and the expenditures incurred in the search for mineral resources. The fair values of exploration and evaluation assets as at the date of acquisition were valued by an independent valuer, Roma Appraisal Limited, and reviewed with another independent valuer, CBRE. The valuation was based on the income-based approach and the excess earning method is adopted. This method looks at the current values of the tangible assets and other intangible assets employed as the benchmark for an estimated rate of return.

Major assumptions and parameters of the valuation as at the date of acquisition are as follows:

Approval of all required licenses	The first half of 2015
Commencement of production	2018
Annual production capacity	25 million tonnes of 65% iron concentrate
Resource estimates	Measured resources of 1,135 million tonnes (20.57%) Indicated resources of 1,479 million tonnes (19.64%)
Dilution rate	0%
Mining loss rate	6.66%
Processing recovery	87%
Operating costs (free on board)	US$32.50 per tonnes
Income tax rate	11-15% for the period covered by tax benefit program and 34% afterwards
Capital expenditures	US$3,800 million for the construction of infrastructure
Discount rate	17.93%

For illustrative purpose, should there be delay in commencement of production by 1 year, there will be a decrease of the fair value of the exploration and evaluation assets by 15%, assuming there are no changes in other parameters.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset is less than its recoverable amount.

The Group entered into various co-operation agreements, memorandum of understanding and framework agreement for funding and co-operation in the SAM Operation. Hong Bridge, the ultimate holding company of the Company, and its two shareholders, undertake that they will render adequate financial support to the Group for the operation of SAM.

15. GOODWILL

Group

The amount of goodwill capitalised as an asset recognised in the consolidated statement of financial position, arising from business combinations, is as follows:

	2013 ***HK$'000***	2012 *HK$'000*
At 1 January		
Gross carrying amount	**66,737**	66,737
Accumulated impairment	**(66,737)**	(66,737)
Net carrying amount	**–**	–
Carrying amount at 1 January	**–**	–
De-recognition upon disposals of the Hill Talent Group	**(31,051)**	–
Accumulated impairment written back upon disposals of the Hill Talent Group	**31,051**	–
Net carrying amount at 31 December	**–**	–
At 31 December		
Gross carrying amount	**35,686**	66,737
Accumulated impairment	**(35,686)**	(66,737)
Net carrying amount	**–**	–

Goodwill allocated to CGUs of silicon business segment and mineral resources exploration had been fully impaired in the previous years.

16. CAPITAL COMMITMENTS

	2013	2012
	HK$'000	*HK$'000*
Contracted but not provided for		
Property, plant and equipment	**1,940**	1,884
Exploration and evaluation assets	**6,978**	–
Proposed acquisition of SAM*	**–**	2,945,228
	8,918	2,947,112

* Pursuant to the SAM Agreement, the Group is committed to pay the Total Consideration in five stages as follows.

Stage 1 and Stage 2	US$10 million and US$65 million	Payable to seller on the date of completion of the SAM Acquisition, subject to the fulfilment of several conditions as stated in the SAM Agreement
Stage 3	A minimum of US$111.25 million and a maximum of US$115 million	Payable on the date when the approvals and permits in relation to the commencement of construction of the mine, plant, pipeline and the relevant specified port facilities as detailed in the SAM Agreement are obtained.
Stage 4 and 5	US$100 million and US$100 million	Payable on the relevant specified port operation commencement date and the mining production commencement date.

As at 31 December 2012, the Group and the Company paid US$10 million (equivalent to approximately HK$78,000,000 for stage 1 and further paid US$420,000 (equivalent to approximately HK$3,265,000 as additional payment, the aggregate principal amount of outstanding considerations for stage 2 to 5 of US$380 million (equivalent to approximately HK$2,945 million) were disclosed as capital commitments as at 31 December 2012. Details of the SAM Agreement and the Total Consideration are set out in the Company's circular dated 5 November 2010.

As at 31 December 2013, as the SAM Acquisition was completed and stage 2 payment was made whereas stage 3 to 5 have been recognised as consideration payable, there is no capital commitment for the SAM Acquisition.

17. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 17 January 2014, the Company entered into the disposal agreement with an independent third party to sell the entire issued share capital of Divine Mission, a 60% owned subsidiary of the Group, for a total consideration of HK$3.6 million. Divine Mission beneficially owns 100% equity interests of Kailun HK and Kailun PV (Jining). The disposal was completed on the same date. As at 31 December 2013, Divine Mission Group was in net liabilities position of HK$24.2 million.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2013, the Group recorded turnover of HK$10.4 million which comprised HK$8.2 million from mineral resources and steel metal trading and HK$2.2 million from the sale of highly purified silicon. Group results changed from loss of HK$270 million in 2012 to profit of HK$9,180 million in current year. This is mainly due to the HK$9,277 million gain on bargain purchase in acquisition of SAM and HK$73.2 million gain on disposal of Hill Talent Group. Besides, HK$171 million impairment loss on exploration and evaluation assets and HK$24 million share-based payment expenses was recorded in 2012 while no such loss and expenses in current year.

PROGRESS OF SAM

As of the date of this announcement, SAM held 23 Exploration Rights in 9 blocks (Block 5, 6, 7, 8, 9, 10, 11, 12 and 13) covering an area of approximately 31,000 hectares. SAM also submitted application for mining rights for 2 exploration rights in Block 8, covering an area of 2,600 hectares. Besides, SAM has submitted application for 41 additional Exploration Rights, subject to the approval of National Department of Mineral Production ("DNPM") in Brazil. Lastly, SAM have filed bid for 19 Exploration Rights and is pending tender results.

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

The detailed exploration drilling for three exploration rights of Block 7 was completed and the final exploration report was submitted to DNPM on 17 May, 28 May 2013 and 7 March 2014 respectively. It is estimated that potential resources level in Block 7 could be up to approximately 4,800 million tons of ROM in accordance with the Brazilian mining standards (non-JORC standard).

As at 31 December 2013, SAM has approximately 70 staff in Brazil, and has engaged over 20 professional consultancies and laboratories in Brazil, China, Chile and USA to assist in research and analysis.

1. Licenses and Approvals for Commencement of Construction

Construction of Block 8 (phase I) shall obtain 8 major approvals according to the Brazilian laws, including:

Vegetation Suppression License ("ASV"): SAM may apply to the government for the permit if land owners across the pipeline route agree the pipeline to pass through their properties. SAM is in preliminary negotiations with land owners and will start the agreement signing procedures after preliminary license (LP) for Block 8 is granted and the pipline route is confirmed.

Preliminary License (LP): Environmental impact assessment (EIA) has been submitted to Brazilian Institute of Environment and Renewable Natural Resources ("IBAMA") on 3 July 2012 and was accepted on 21 August 2012. The public hearings were completed in January 2013. IBAMA subsequently held two technical surveys in the Project area, between days 5 to 10 May 2013 and 26 to 28 August 2013. On 12 December 2013, IBAMA issued technical opinions requesting further clarification/detailing on some points in the EIA. On 27 February 2014, SAM submitted IBAMA some supplementary documents and further elaborations. Pending final review and granting of license.

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 exploitation plan report was submitted in 2013, pending review and granting of license.

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

Federal Water License and State Water License: The Brazilian Federal Water Authority has granted SAM a water right in March 2012, which allows SAM to have an annual water consumption of 51 million cubic meters from the Irape Dam for 20 consecutive years. The Irape Dam is approximately 50 kilometers from the beneficiation plant. Agreement was reached with the State of Minas to construct a dam in Vacaria, which is 17 kilometers from the beneficiation plant, with an annual water consumption of 60 million cubic meters. The environmental impact studies (EIA) for Vacaria dam is currently in the process.

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

2. **Construction Phase I**

For the construction of Block 8 (phase I), after detailed exploration drilling and beneficiation test, detailed engineering design for mining, beneficiation, water supply, electricity supply, pipelines and ports has commenced. Following completion of the BFS, tender for the construction project and large-scale construction work will commence. If all licenses and approvals for starting the construction are obtained in the first half of 2015, the mine is expected to commence operation by 2018.

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

The estimation by the management on the capital expenditure ("CAPEX") is approximately USD3.8 billion, of which USD50 million would be required for the preliminary works from now until all approvals are obtained, and F.O.B. operational expenditure ("OPEX") (per ton of iron concentrate) is approximately USD32 in construction project phase I.

The Group has analyzed the CAPEX of a number of comparable mines and OPEX (per ton of iron concentrate) of over 300 operating iron ore mines. Relatively, construction phase I of Block 8 is highly competitive in terms of both estimated CAPEX and OPEX. Regardless of the trend in global iron ore demand, iron concentrate products of SAM will be highly competitive in terms of costs based on latest estimation.

3. **Feasibility Study Report**

The Group has engaged China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. ("NFC") to prepare a feasibility study report on the phase I construction work based on the PRC industry standards and regulatory requirements. The report was prepared by China ENFI Engineering Corporation ("ENFI"), an affiliate of NFC. NFC and ENFI has reviewed the information and has conducted an on-site survey in Brazil. It is expected that the feasibility study report will be completed in mid-2014.

As of the date of this announcement, the Group has provided funding with principal amount of approximately USD55 million to SAM through shareholders' loans and increase of registered capital in SAM.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2013, the Group's operation was mainly financed by the proceeds received from issuance of convertible bonds and the substantial shareholder of the Group.

As at 31 December 2013, the Group had net current assets of HK$22.8 million (31 December 2012: net current assets of HK$818.7 million). Current assets comprised bank balances and cash of HK$86.1 million, trade and bill receivables of HK$250.8 million and prepayments and other receivables of HK$7.7 million.

Current liabilities comprised trade and bill payables of HK$237.0 million, other payables, accrued expenses and receipts in advance of HK$75.3 million, borrowings of HK$2.7 million and loan from non-controlling interest of a subsidiary of HK$6.8 million.

Excluding the assets of disposal group classified as held for sale, the decrease in current assets is mainly due to the decrease in prepayment and other receivables of HK$88.7 million, decrease in trade and bill receivables of HK$10.7 million and decrease in restricted bank balance of HK$40.3 million. Their impact was partly net off with the increase in bank balance of HK$83.8 million.

Current liabilities excluding the liabilities of disposal group classified as held for sale decreased by approximately HK$109.1 million when compared to 31 December 2012 mainly represents the decrease in HK$125.1 million of borrowings, decrease in HK$30.8 million of trade and bill payables and increase in other payables, accrued expenses and receipts in advance of HK$46.8 million. There is no movement in loans from non-controlling interest of a subsidiary in current year.

As at 31 December 2013, the gearing ratio of the Group which is measured by total loans, debts and borrowings to total equity was 0.09 (31 December 2012: 1.26).

ACQUISITION OF SAM

On 28 March 2013, the Company has settled the second instalment payment of the Consideration amount to USD65.0 million (equivalent to approximately HK$504.9 million) to acquire 99.99% equity interest of SAM. Upon SAM become a subsidiary of the Company, the financial results of SAM was consolidated into the financial statements of the Group using acquisition method in accordance with applicable accounting standards. As disclosed in the Company's first quarterly report 2013, based on a JORC compliant iron mineral resources report of SAM, the valuation of SAM's exploration rights estimated by an independent professional valuer was approximately USD3,629.0 million (equivalent to approximately HK$28,172.0 million) as at 28 March 2013. The acquisition-date fair value of the net assets acquired was approximately USD2,367.2 million (equivalent to approximately HK$18,377.2 million). The total Consideration is estimated to be USD249.9 million (equivalent to approximately HK$1,940.7 million) which is the sum of USD75.4 million (equivalent to approximately HK$586.2 million) consideration settled and the fair value of contingent consideration estimated to be USD174.5 million (equivalent to approximately HK$1,354.5 million). Approximately USD2,117.3 million (equivalent to approximately HK$16,436.5 million) gain on bargain purchase, represents the difference between the total consideration and the net fair value of assets and liabilities acquired was recognised. These valuations were based on the assumption that the SAM iron ore project is expected to commence operation by the end of 2015 or in the first half of 2016.

However, as new information about the facts and circumstances existing at the acquisition date has been obtained. Latest assumptions have been applied and adjustments on SAM's exploration rights and contingent consideration valuation are made retrospectively as if those adjustments had been made at the acquisition date. After reassessment, the new commencement date is expected to be 2018 as it requires more time for relevant government authorities in reviewing applications. As the time to commence operation and settle third to fifth instalment payments is delayed, there are adjustments on the fair value of exploration rights and contingent consideration.

After the adjustment, the exploration rights, revaluated by an independent valuer, Roma Appraisal Limited, and reviewed with another independent valuer, CBRE at approximately USD2,279.0 million (equivalent to approximately HK$17,688.5 million) and acquisition-date fair value of the net assets of SAM was approximately USD1,475.7 million (equivalent to approximately HK$11,453.6 million). For the valuation of contingent consideration, it was estimated to be USD205.1 million (equivalent to HK$1,590.2 million). The gain on bargain purchase was adjusted from USD2,117.3 million (equivalent to approximately HK$16,436.5 million) to USD1,195.2 million (equivalent to approximately HK$9,277.1 million) accordingly.

DISPOSAL OF HILL TALENT LIMITED AND DIVINE MISSION HOLDINGS LIMITED

On 4 January 2013, an agreement was entered into between the Company and a shareholder of the Company, Brilliant People Limited (the "Buyer"), to dispose the entire share capital of a wholly owned subsidiary of the Company, Hill Talent Limited, from the Company to the Buyer. Major assets of Hill Talent comprise three manganese exploration licences in Brazil and a subsidiary in Mexico engaging in minerals trading. The purpose of the disposal is to improve the Group's capital and liquidity position for its business development in the Brazilian SAM Iron Ore Project. The disposal was completed on 6 June 2013, on which date the Group passed the control of Hill Talent Limited to Brilliant People Limited.

Approximately HK$73.2 million gain on disposal of subsidiaries was recognised when the Group disposed its 100% equity interest in Hill Talent Limited to Brilliant People Limited for a total consideration of approximately HK$729.8 million, comprising of approximately HK$111.2 million cash, HK$342.3 million repurchased convertible bonds and HK$276.3 million promissory note.

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

SIGNIFICANT INVESTMENT PLANS

Save as disclosed above, as at 31 December 2013, the Group did not have any significant investment plans.

CAPITAL COMMITMENTS

As at 31 December 2013, the Group has contracted but not provided for capital commitments in relation to property, plant and equipment amounted to approximately HK$8.9 million.

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 Share Purchase Agreement in relation to the Acquisition of SAM. Pursuant to the Share Purchase Agreement, the Consideration of USD390 million for the Acquisition was to be satisfied in cash in five instalment payments.

As at 31 December 2013, the first and the second instalment payment amount to USD75 million (equivalent to approximately HK$505 million) have been settled. The third instalment payment amount to USD115 million (equivalent to approximately HK$893 million) are to be settled on the tenth Business Day following the Approval Date (or the date Infinite Sky waives the requirements that all Required Approvals be obtained). The fourth instalment payment of USD100 million (equivalent to approximately HK$776 million) was agreed to pay on the tenth Business Day following the Port Operation Commencement Date, being the later of (a) the Closing Date; and (b) the date by which an aggregate of 100,000 metric tons of pellet feed have been shipped through the Port on a commercial basis; and the fifth instalment payment of USD100 million (equivalent to approximately HK$776 million) is required to settle on the tenth Business Day following the Mining Production Commencement Date.

The valuation of the contingent consideration as mentioned above for the third to fifth instalments payment were carried out by an independent valuer and their fair value as at 31 December 2013 was approximately USD205 million (equivalent to approximately HK$1,590 million).

As at 31 December 2013, saved as disclosed above the Group did not have any significant contingent liabilities.

PROSPECT

The Company will continue to manage the progress of SAM iron ore project and will seek to obtain all licenses and approvals for commencement of construction in the first half of 2015. If all licenses and approvals for starting the construction are obtained in the first half of 2015, the mine is expected to commence operation by 2018. The FOB operating cost (per ton of iron concentrate) of Block 8 is estimated to be approximately USD32. Regardless of the trend in global iron ore demand, iron concentrate products of SAM is highly competitive in terms of costs. The Directors expect that SAM Iron Ore Project could enhance the growth potential of the Group.

EMPLOYEES

The number of employees increased significantly after acquisition of SAM. As at 31 December 2013, the total number of employees of the Group was 107 (2012: 30). Employees' cost (including directors' emoluments but excluding share-based payment expenses) amounted to HK$34.7 million for the year (2012: HK$6.7 million).

The Group considers its employees as its most valuable assets. In addition to salary, other fringe benefits such as medical subsidies, life insurance, provident fund and subsidised training programs are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. Share options have also been granted to certain employees of the Group.

CORPORATE GOVERNANCE PRACTICES

The Company complied with the corporate governance code in Appendix 15 to the GEM Listing Rules throughout the year ended 31 December 2013 with the exception that the Articles of Association of the Company does not provide that (a) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting of the Company after their appointment. In view of good corporate governance practices, all Directors have agreed to comply with the GEM Listing Rules and that their term of appointment will be limited accordingly. Furthermore, every director of the Company, including those appointed for a specific term, voluntarily retires from his office by rotation at least once every three years notwithstanding that he is not required to do so by the Articles of Association of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 year ended 31 December 2013.

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

During the year ended 31 December 2013, neither the Company, its ultimate holding company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company had established an audit committee with written terms of reference in compliance with Rule 5.28 and corporate governance code C.3.3 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. Other duties of the audit committee are set out in its specific terms of reference, which are posted on the website of the Company and the Stock Exchange respectively. The audit committee comprises Mr. Chan Chun Wai, Tony (Committee Chairman), Mr. Fok Hon and Mr. Ma Gang, who are Independent Non-Executive Directors of the Company.

During the year, the audit committee held four meetings to review and comment on the Company's 2012 annual report, 2013 half-yearly report and quarterly reports as well as the Company's internal control procedures. Full attendance was recorded for the four meetings.

The Group's annual results for the year ended 31 December 2013 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

The Remuneration Committee was set up in 2005. The 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 met once in 2013 and was attended by all Committee members. The policy for the remuneration of Executive Directors and the Senior Management was reviewed by the Committee. Remuneration, including basic salary, performance bonus, grant of share options, if any, of the Executive Directors and Senior Management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability, as well as industry practice. Granting share options is considered as one of the means for giving long term benefits to and retaining staff.

Remuneration, comprising directors' fees, of Independent Non-Executive Directors is subject to annual assessment for shareholders' approval at the annual general meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

NOMINATION COMMITTEE

Nomination Committee was set up in 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 and additional meetings shall be held as the work of the Committee demands. The Committee met once in 2013 and was attended by all Committee members.

The primary duties of nomination committee is to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes; (ii) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of, individuals nominated or directorships; (iii) assess the independence of independent non-executive directors; and (iv) make recommendations to the board on relevant matters relating to the appointment or reappointment of directors and succession planning for directors in particular the chairman and the chief executive officer.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our shareholders, customers and cooperative partners for their continued support during 2013 and all staff for their hard work.

As at the date of this announcement, the Board comprises:

Executive Directors:
Mr. HE Xuechu *(Chairman)*
Mr. LIU Wei, William *(Chief Executive Officer)*
Mr. SHI Lixin

Non-Executive Directors:
Mr. YAN Weimin
Mr. ANG Siu Lun, Lawrence

Independent Non-Executive Directors:
Mr. CHAN Chun Wai, Tony
Mr. FOK Hon
Mr. MA Gang

On behalf of the Board
LIU Wei, William
Executive Director and CEO

Hong Kong, 26 March 2014