HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8137)

HALF YEAR RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "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 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 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 of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

UNAUDITED CONSOLIDATED HALF YEAR RESULTS

The board of directors (the "Board") of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2017, together with the comparative unaudited figures for the corresponding period in 2016, as follows:

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

		Three months ended 30 June		**Six months ended 30 June**	
		2017	2016	**2017**	2016
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*2*	**11,131**	9,732	**12,040**	29,913
Cost of sales		**(12,151)**	(11,249)	**(12,955)**	(29,179)
Gross (loss)/profit		**(1,020)**	(1,517)	**(915)**	734
Other operating income	*4*	**13,344**	6,225	**24,514**	9,774
Selling and distribution costs		**(1,291)**	(324)	**(1,594)**	(690)
Administrative expenses		**(29,153)**	(16,116)	**(47,167)**	(38,458)
Impairment of exploration and evaluation assets		**–**	(1,248,080)	**–**	(1,248,080)
Gain on changes in fair value and terms of contingent consideration payables		**–**	1,048,406	**–**	1,048,406
Finance costs	*5*	**(19,860)**	(17,765)	**(39,129)**	(35,050)
Loss before income tax	*6*	**(37,980)**	(229,171)	**(64,291)**	(263,364)
Income tax credit	*7*	**381**	424,505	**763**	426,003
Profit/(Loss) for the period		**(37,599)**	195,334	**(63,528)**	162,639
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange gain/(loss) on translation of financial statements of foreign operations		**(103,903)**	315,668	**41,529**	419,401
Other comprehensive income for the period, net of tax		**(103,903)**	315,668	**41,529**	419,401
Total comprehensive income for the period		**(141,502)**	511,002	**(21,999)**	582,040
Profit/(Loss) for the period attributable to:					
Owners of the Company		**(27,679)**	195,990	**(52,749)**	163,479
Non-controlling interests		**(9,920)**	(656)	**(10,779)**	(840)
		(37,599)	195,334	**(63,528)**	162,639

		Three months ended 30 June		Six months ended 30 June	
		2017	2016	**2017**	2016
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Total comprehensive income attributable to:					
Owners of the Company		**(126,604)**	512,333	**(12,405)**	583,654
Non-controlling interests		**(14,898)**	(1,331)	**(9,594)**	(1,614)
		(141,502)	511,002	**(21,999)**	582,040
Earnings/(loss) per share	*9*				
— Basic		**HK(0.36) cent**	HK2.49 cents	**HK(0.68) cent**	HK2.08 cents
— Diluted		**N/A**	HK2.16 cents	**N/A**	HK2.01 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2017 *HK$'000* (Unaudited)**	As at 31 December 2016 *HK$'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**125,570**	104,743
Exploration and evaluation assets	*10*	**3,019,240**	2,947,964
Prepaid land lease payments		**85,007**	84,928
Other intangible assets		**60,448**	65,536
Other financial assets	*11*	**279,222**	812,545
		3,569,487	4,015,716
Current assets			
Inventories		**25,953**	36,653
Other financial assets	*11*	**540,000**	–
Trade and bill receivables	*12*	**80,795**	101,137
Prepayments, deposits and other receivables		**80,558**	21,670
Financial assets at fair value through profit or loss	*13*	**4,335**	1,936
Tax recoverable		**2,026**	1,956
Restricted Bank deposits		**5,381**	3,367
Cash and cash equivalents		**768,677**	669,052
		1,507,725	835,771
Current liabilities			
Trade and bill payables	*14*	**28,601**	35,910
Other payables, accrued expenses, deposits received and receipts in advance		**32,167**	40,884
Borrowings	*15*	**11,449**	11,206
Derivative financial liabilities		**58,297**	58,297
Convertible bonds	*16*	**662,313**	623,433
Total current liabilities		**792,827**	769,730

	Notes	As at 30 June 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
Net current assets		**714,898**	66,041
Total assets less current liabilities		**4,284,385**	4,081,757
Non-current liabilities			
Borrowings	*15*	**228,987**	112,061
Deferred income		**92,954**	95,708
Deferred tax liabilities	*17*	**933,234**	910,279
Contingent consideration payables	*18*	**153,087**	153,087
		1,408,262	1,271,135
Net assets		**2,876,123**	2,810,622
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**7,862**	7,862
Reserves		**2,567,892**	2,580,297
		2,575,754	2,588,159
Non-controlling interests		**300,369**	222,463
Total equity		**2,876,123**	2,810,622

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

	Equity attributable to owners of the Company									
	Share capital	Share premium	Treasury shares reserve	Share-based payment reserve	Translation reserve	Convertible bonds equity reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2017										
At 1 January 2017	**7,862**	**2,627,306**	**(142,864)**	**136,741**	**(4,533,024)**	**258,836**	**4,233,302**	**2,588,159**	**222,463**	**2,810,622**
Capital contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**87,500**	**87,500**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**87,500**	**87,500**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(52,749)**	**(52,749)**	**(10,779)**	**(63,528)**
Other comprehensive income										
Currency translation	**–**	**–**	**–**	**–**	**40,344**	**–**	**–**	**40,344**	**1,185**	**41,529**
Total comprehensive income	**–**	**–**	**–**	**–**	**40,344**	**–**	**(52,749)**	**(12,405)**	**(9,594)**	**(21,999)**
At 30 June 2017	**7,862**	**2,627,306**	**(142,864)**	**136,741**	**(4,492,680)**	**258,836**	**4,180,553**	**2,575,754**	**300,369**	**2,876,123**
2016										
At 1 January 2016	7,862	2,627,306	(142,864)	136,741	(4,869,117)	258,836	3,488,507	1,507,271	44,205	1,551,476
Profit/(Loss) for the period	–	–	–	–	–	–	163,479	163,479	(840)	162,639
Other comprehensive income										
Currency translation	–	–	–	–	420,175	–	–	420,175	(774)	419,401
Total comprehensive income	–	–	–	–	420,175	–	163,479	583,654	(1,614)	582,040
At 30 June 2016	7,862	2,627,306	(142,864)	136,741	(4,448,942)	258,836	3,651,986	2,090,925	42,591	2,133,516

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Net cash used in operating activities	**(72,925)**	(48,538)
Net cash used in investing activities:		
Additions of prepaid land lease payments	**–**	(19,680)
Provision of loan to a borrower	**–**	(540,000)
Purchases of property, plant and equipment	**(21,684)**	(10,945)
Other investing cash flows	**(6,220)**	(5,387)
	(27,904)	(576,012)
Net cash from financing activities:		
Drawdown of borrowings	**113,060**	119,048
Capital contribution from non-controlling interests	**87,500**	–
Other financing cash flows	**(249)**	(13,052)
	200,311	105,996
Net increase/(decrease) in cash and cash equivalents	**99,482**	(518,554)
Cash and cash equivalents, at beginning of period	**669,052**	1,228,682
Effect of foreign exchange rate changes	**143**	(1,284)
Cash and cash equivalents, at end of period	**768,677**	708,844
Analysis of the balance of cash and cash equivalents		
Cash at banks and in hand	**768,677**	708,844

Notes:

1. BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months and six months ended 30 June 2017 have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

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

These financial statements should be read, where relevant, in conjunction with the 2016 annual report.

The accounting policies adopted in the 2016 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 2017. 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.

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Sale of lithium batteries	**12,040**	29,913

3. SEGMENT INFORMATION

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

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

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

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$'000*	**Lithium battery production** *HK$'000*	**Total** *HK$'000*
Six months ended 30 June 2017			
Reportable segment turnover (external customers)	**–**	**12,040**	**12,040**
Reportable segment losses	**(7,705)**	**(19,549)**	**(27,254)**
Reportable segment assets	**3,024,698**	**1,049,350**	**4,074,048**
Reportable segment liabilities	**157,632**	**388,127**	**545,759**
Capital expenditure	**1,517**	**21,684**	**23,201**
Depreciation	**332**	**4,128**	**4,460**
Amortisation of other intangible assets	**–**	**5,088**	**5,088**
Six months ended 30 June 2016			
Reportable segment turnover (external customers)	–	29,913	29,913
Reportable segment losses	(1,256,467)	(9,053)	(1,265,520)
Reportable segment assets	2,098,717	687,347	2,786,064
Reportable segment liabilities	148,188	302,477	450,665
Capital expenditure	918	47,685	48,603
Depreciation	313	7,304	7,617
Amortisation of other intangible assets	–	6,847	6,847

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:

	Six months ended 30 June	
	2017 *HK$'000*	2016 *HK$'000*
Reportable segment turnover	**12,040**	29,913
Reportable segment loss	**(27,254)**	(1,265,520)
Other operating income	**10,540**	2,969
Fair value gain on contingent consideration payable	**–**	1,048,406
Administrative expenses	**(8,697)**	(14,769)
Finance costs	**(38,880)**	(34,450)
Loss before income tax	**(64,291)**	(263,364)

	As at 30 June 2017 *HK$'000* (Unaudited)	As at 31 December 2016 *HK$'000* (Audited)
Reportable segment assets	**4,074,048**	3,755,517
Property, plant and equipment	**753**	861
Loan receivable	**540,000**	540,000
Prepayments and other receivables	**3,493**	3,751
Financial assets at fair value through profit or loss	**4,335**	1,936
Cash and cash equivalents	**454,583**	549,422
	5,077,212	4,851,487
Reportable segment liabilities	**545,759**	445,407
Other payables and accrued expenses	**1,486**	3,449
Derivative financial liabilities	**58,297**	58,297
Convertible bonds	**662,313**	623,433
Deferred tax liabilities	**933,234**	910,279
	2,201,089	2,040,865

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

	As at 30 June 2017 *HK$'000* (Unaudited)	As at 31 December 2016 *HK$'000* (Audited)
Turnover from external customers		
PRC	**12,040**	34,045
Reportable segment turnover	**12,040**	34,045
Non-current assets (excluding other financial assets)		
Hong Kong	**753**	861
PRC	**269,367**	253,303
Brazil	**3,020,145**	2,949,007
Reportable segment non-current assets	**3,290,265**	3,203,171

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

4. OTHER OPERATING INCOME

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**2,718**	1,557
Loan interest income	**8,147**	2,624
Government grant	**5,419**	5,293
Rental income	**300**	300
Imputed interest income of amounts due from non-controlling interests of a subsidiary	**6,677**	–
Gain on financial assets at fair value through profit or loss	**844**	–
Sundry income	**409**	–
	24,514	9,774

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Interest charges on other borrowings wholly repayable within five years	**249**	600
Imputed interest on convertible bonds	**38,880**	34,450
	39,129	35,050

6. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Loss before income tax are arrived at after charging:		
Rental expenses	**2,274**	2,389
Amortisation of other intangible assets	**5,088**	6,847
Cost of inventories recognised as expense	**12,955**	29,179
Depreciation and amortisation	**4,586**	7,954

7. INCOME TAX CREDIT

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Overseas tax		
Current period	**–**	(167)
Deferred tax *(note 17)*	**763**	426,170
Income tax credit	**763**	426,003

During the six months ended 30 June 2016 and 2017, 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.

The PRC corporate income tax rate of 25% is applicable to the Group's PRC subsidiaries except that Shandong Forever New Energy is granted the tax benefit for the National High-Tech Enterprise for three years starting from the year ended 31 December 2015. It is subject to income tax rate of 15%.

During the period, corporate income tax rates in Brazil of 34% (2016: 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 an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2017 are based on the loss attributable to the owners of the Company of approximately HK$27,679,000 and HK$52,749,000 respectively and on 7,744,722,000 weighted average number of shares respectively, after adjusting the effect of treasury share held by the Company. (For the three months and six months ended 30 June 2016, profit attributable to the owners of the Company was HK$195,990,000 and HK$163,479,000 respectively and basic profits per share in the period was calculated based on 7,744,722,000 weighted average number of shares respectively, after adjusting the effect of treasury share held by the Company.)

The calculation of diluted earnings per share for the three months and six months ended 30 June 2016 are based on HK$213,475,000 and HK$197,928,000 profit attributable to the owners of the Company respectively. 9,861,821,606 weighted average number of shares was used after taking account into the convertible bonds which have a dilutive impact. No such figure was presented for the three months and six months ended 30 June 2017 because the impact of the share options and convertible bonds was anti-dilutive.

10. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets 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.

11. OTHER FINANCIAL ASSETS

	As at 30 June 2017 ***HK$'000*** **(Unaudited)**	As at 31 December 2016 *HK$'000* (Audited)
Loan and receivables:		
Non-current		
— Amounts due from non-controlling interests of a subsidiary *(note (a))*	**279,222**	272,545
— Loan receivable *(note (b))*	**–**	540,000
	279,222	812,545
Current		
— Loan receivable *(note (b))*	**540,000**	–

Note:

(a) According to the capital contribution agreement for Shandong Forever New Energy on 9 May 2016, the non-controlling interests of Shandong Forever agreed to contribute capital of US$44.77 million to Shandong Forever New Energy and US$4.215 million was paid immediately while the remaining balances will be paid on demand by the board of directors of Shandong Forever New Energy but not later than 31 October 2022. The transaction was completed on 26 July 2016.

As at 30 June 2017, the unpaid capital contribution is not expected to be realised within twelve months after the reporting period. Accordingly, such balance is classified as non-current assets. The non-controlling interests undertake that, pending full payment of their respective capital contribution, they shall use all dividend, distribution and payment received from Shandong Forever New Energy to satisfy their capital contribution obligation.

(b) The balance represented loan receivable from an independent third party. This loan receivable is bearing interest at 3% per annum and is secured by the share charges provided by two of the shareholders of the borrower over all of their shareholdings in the borrower and a debenture consisting of fixed and floating charge over all of the assets of the borrower in favour of the Company.

Such balance is expected to be realised within twelve months after the period ended 30 June 2017. Accordingly, it is classified as current assets as at the period ended 30 June 2017.

12. TRADE AND BILL RECEIVABLES

The following is the breakdown and ageing analysis of net trade and bill receivables at the reporting dates.

	As at 30 June 2017 *HK$'000* **(Unaudited)**	As at 31 December 2016 *HK$'000* (Audited)
Trade receivables	**72,336**	101,059
Bill receivables	**8,459**	78
Trade and bill receivables	**80,795**	101,137
0 to 30 days	**18,558**	20,125
31 to 90 days	**–**	13,077
91 to 180 days	**3,193**	–
Over 180 days	**59,044**	67,935
	80,795	101,137

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2017 *HK$'000* **(Unaudited)**	As at 31 December 2016 *HK$'000* (Audited)
Listed equity investments, at market value, in Hong Kong — held for trading	**4,335**	1,936

The fair value of the Group's investment in listed securities has been determined by reference to their quoted bid prices at the reporting dates.

14. TRADE AND BILL PAYABLES

The following is ageing analysis of trade and bills payables at the reporting dates:

	As at 30 June 2017 *HK$'000* **(Unaudited)**	As at 31 December 2016 *HK$'000* (Audited)
Trade payables	**23,500**	32,552
Bill payables	**5,101**	3,358
	28,601	35,910
0–30 days	**4,845**	5,211
31–60 days	**441**	5,122
61–90 days	**3,195**	5,949
91–180 days	**1,366**	5,151
Over 180 days	**18,754**	14,477
	28,601	35,910

15. BORROWINGS

	Original currency	**As at 30 June 2017** *HK$'000* **(Unaudited)**	As at 31 December 2016 *HK$'000* (Audited)
Current:			
Bank loans — secured	RMB	**11,449**	11,206
Non-current:			
Government loan — unsecured	RMB	**228,987**	112,061

The bank loans bear interest at 4.35% per annum and were due within one year from the reporting date. The bank loans were secured by property, plant and equipment of the Company.

The government loan is unsecured, non-interest bearing and not due within one year from the reporting date.

16. CONVERTIBLE BONDS

On 4 June 2013, the Company issued a convertible bonds in the principal amount of HK$740,000,000 to Geely International (Hong Kong) Limited ("Geely International"). The convertible bonds are interest-free and convertible into 2,000,000,000 ordinary shares of the Company and not redeemable by the Company. Geely International has the discretion on redemption after the second anniversary of the date of issue of the convertible bonds. Accordingly, as at 30 June 2017, the derivative and liability component of the convertible bonds were classified as current liabilities.

The liability component of the convertible bonds is initially recognised at its fair value and is subsequently measured at amortised cost. The imputed interest expenses recognised for the six months ended 30 June 2017 were HK$38,880,000 (2016: HK$34,450,000).

17. DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under liability method using the tax rates applicable in the tax jurisdiction concerned. The amount was mainly arising from the fair value adjustment of exploration and evaluation assets and other intangible assets.

18. CONTINGENT CONSIDERATION PAYABLE

After the completion of the acquisition of SAM on 28 March 2013, the Group is committed to pay Votorantim, the vendor of SAM, the consideration outstanding i.e. third instalment of US$115 million, fourth instalment of US$100 million and fifth instalment of US$100 million upon completion of approvals of required licenses and permits, commencement of port operation and commencement of mining production respectively. The HK$1,215,829,000 contingent consideration payables represent the fair value of the outstanding consideration payable in accordance with the SAM share purchase agreement (the"SAM SPA").

On 12 May 2016 (Brazil time), the Company, Infinite Sky Investments Limited, New Trinity Holdings Limited, SAM, Votorantim entered into a settlement agreement (the "Settlement Agreement").

Pursuant to the Settlement Agreement, the Company paid Votorantim a settlement payment of US$3,000,000 (equivalent to approximately HK$23,320,000) (the "Settlement Payment") and Votorantim has executed SAM's share transfer book and transferred the preferred shares to Infinite Sky. After the transfer of the preferred shares, SAM become a wholly owned subsidiary of the Company. Other terms of the Settlement Agreement has been disclosed in the management discussion and analysis section in this announcement.

Under the Settlement Agreement, the Company is no longer liable to pay the third, fourth and fifth instalment payment with the total amount of US$315 million under the SAM SPA but the Company is committed to pay a maximum aggregate amount of US$60,000,000 contingent additional payment and conditional mining production payment to Votorantim upon occurrence of certain events.

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

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group use the following hierarchy for determining and disclosing the fair value of financial instruments that are measured at fair value in the statements of financial position:

Level 1: fair value measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: fair value measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial assets or liabilities are categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

Financial assets/ liabilities measured at fair value through profit or loss

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2017				
Assets:				
Listed securities held for trading	4,335	–	–	4,335
Liabilities:				
Derivative financial liabilities	–	–	58,297	58,297
Contingent consideration payables	–	–	153,087	153,087
	–	–	211,384	211,384
As at 31 December 2016				
Assets:				
Listed securities held for trading	1,936	–	–	1,936
Liabilities:				
Derivative financial liabilities	–	–	58,297	58,297
Contingent consideration payables	–	–	153,087	153,087
	–	–	211,384	211,384

During the six months ended 30 June 2017, there was no transfer between different levels of fair value hierarchy.

MANAGEMENT DISCUSSION AND ANALYSIS

New Energy Vehicles-Related Business

Update on Zhejiang Forever New Energy Company Limited ("Zhejiang Forever New Energy")

Zhejiang Forever New Energy is an indirect non-wholly owned subsidiary of the Company and is owned as 49%, 48% and 3% by the Group, Shanghai Maple Automobile Company Limited ("Shanghai Maple"), a subsidiary of Zhejiang Geely Holding Group Company Limited ("Zhejiang Geely") and Jiaxing Jiale Investment Partnership Corporation (limited partnership) ("Jiaxing Jiale") respectively. Zhejiang Geely owns and controls the automobile brand "Geely" in the PRC and luxury European automobile brand "Volvo", and Zhejiang Geely is also one of the Fortune Global 500 companies.

Zhejiang Forever New Energy is establishing a modern lithium-ion battery enterprise in Jinhua New Energy Automobile Industrial Park which includes functions such as research and development, production, testing and inspection, demonstration and service, sales of lithium-ion battery and battery system. Zhejiang Forever New Energy occupies an area of approximately 130,000 square meters and the plant is designed to possess a maximum production capacity of approximately 1,500,000 kWh ternary lithium-ion battery annually. Most of the construction work has been completed, installation of the first production line is scheduled to complete in the third quarter of 2017 while it is planned that trial production will begin in the fourth quarter.

Shandong Forever New Energy Company Limited ("Shandong Forever New Energy")

Currently, the production plant of Shandong Forever New Energy, an indirect non-wholly owned subsidiary of the Company, covers a total area of approximately 130,000 square meters and its current factory and office facilities cover a floor area of about 70,000 square meters. The current production capacity of Shandong Forever New Energy amounts to 150,000 kWh of lithium iron phosphate battery or 225,000 kWh of ternary lithium battery annually.

Subject to various factors such as technology, crafts, investment amount and sales of products, the Company has been evaluating the expansion plan in Zou Cheng, Shandong and exploring the possibilities of massive expansion in areas other than Jinhua in Zhejiang. In the meantime, Shandong Forever New Energy will continue to improve and optimise its production facilities.

Shandong Forever New Energy Capital Contribution Agreement

Capital Contribution Agreement

On 9 May 2016, Triumphant Glory, a 90.68% owned subsidiary of the Company, entered into the capital contribution agreement with Zhejiang Geely Automobile Co., Ltd. ("Zhejiang Geely Auto") and Jiaxing Jiale, whereby Zhejiang Geely Auto and Jiaxing Jiale have agreed to contribute capital into Shandong Forever New Energy, which was a direct wholly-owned subsidiary of Triumphant Glory (the "Capital Contribution Agreement"). According to the terms of the Capital Contribution Agreement, Zhejiang Geely Auto and Jiaxing Jiale shall contribute approximately US$42.15 million and US$2.62 million into Shandong Forever New Energy respectively. Zhejiang Geely Auto has paid the 10% of its capital contribution amount (i.e. US$4.215 million) according to the Capital Contribution Agreement and up to the date of this announcement, no further capital contribution has been paid by Geely Auto and Jiaxing Jiale. After the Capital Contribution Agreement became effective, Triumphant Glory, Zhejiang Geely Auto and Jiaxing Jiale hold 49.0%, 48.0% and 3.0% equity interest in Shandong Forever New Energy, respectively.

Progress of SAM

As of the date of this announcement, the Group has provided funding with principal amount of approximately USD67.8 million to the iron ore project in Brazil through shareholders' loans and increase of registered capital in SAM, an indirect wholly owned subsidiary of the Company in Brazil.

SAM is devoted to develop Block 8 as phase I operation with an annual production capacity of 27.5 million tons of 66.5% or above iron concentrate. The project will have an integrated system comprised an open-pit mine, a beneficiation plant, a 480km underground slurry pipeline, filtering plant and port for product export. According to local topographic features, Block 8 was named as project Vale do Rio Pardo.

Environmental Licensing Progress of the Project

Since March 2016 when the Brazilian Institute of Environment and Renewable Natural Resources ("IBAMA") issued a negative conclusive technical opinion — "based on the current engineering design mode, IBAMA technical staff are not able to certify environmental viability", in which the main concerns are related to tailing dam, SAM has been working on engineering optimization to reduce the potential environmental impacts of the Project and keeping close contact with IBAMA.

In November 2016, as IBAMA suggested, SAM decided to reopen a new environmental licensing administrative process and hired Brandt Meio Ambiente ("Brandt") to prepare the Terms of Reference ("TR"), which outlines the terms for the new Environmental Impact Study ("EIA") and Environmental Impact Report ("RIMA"). IBAMA agreed that SAM could use most of the studies finished in the previous EIA/RIMA.

On 12 January 2017, SAM submitted the proposed TR to IBAMA.

On 12 April 2017, SAM received a TR draft from IBAMA, which was a general TR for any new mine project, without considerations of SAM's project specifics and licensing history.

On 12 May 2017, after deep analysis of the TR draft from IBAMA by SAM's environmental consultants, lawyers and other professional parties, SAM replied IBAMA officially and make it clear item by item how SAM will use the information from the previous EIA/RIMA, and what supplementary studies will be undertaken.

Since then, SAM has been keeping close contact and communicating with IBAMA, consultants and other professional parties, pursing that IBAMA could confirm the specific details and the proposed supplementary studies in the TR so that SAM could start the required work for the new EIA/RIMA as soon as possible.

In order to speed up the licensing process, SAM had meetings with the governments of Minas Gerais State and Bahia State of Brazil to get more support in the Project. As the Project could generate thousands of jobs and significant economic benefits to the two States, both governments are committed to assign representatives to attend the meetings with IBAMA together with SAM when the new EIA/RIMA is ready.

On 18 April 2017, the Strategic Affairs Committee of Minas Gerais State made a decision to list SAM's Vale do Rio Pardo project as a priority project for the Minas Gerais State. The State of Minas Gerais has a specialized administrative unit under the Secretariat of Environment and Sustainable Development ("SEMAD") which is responsible for the environmental analysis of priority projects. Thus, listing if the project can process its environmental licensing procedures in the Mina Gerais State, the approval time required by SEMAD is expected to be faster than IBAMA.

SAM is investigating various practicable strategies which could expedite the environmental licensing of Vale do Rio Pardo and carry out works with a target to commence operation in late 2023.

Other details of the Vale do Rio Pardo project including the history of license application and the major licenses, permits, approvals obtained have been set out in the 2016 annual report of the Company.

Contingent Consideration and Liabilities

Pursuant to the Share Purchase Agreement in relation to the acquisition of SAM (the "SPA"), the total consideration of US$390.0 million for the acquisition of SAM was to be satisfied in cash in five instalment payments. The first and the second instalment payment amount to US$75.0 million were settled at the date of Settlement Agreement. The third, fourth and fifth instalment payment amount to US$115.0 million, US$100.0 million and US$100.0 million were required to be settled according to certain milestones.

After execution of the Settlement Agreement in June 2016 (details set out in the announcement of the Company dated 13 May 2016, the Group shall no longer be liable to pay third, fourth and fifth instalment payment with the total amount of US$315.0 million under the SPA.

Conditional additional payment

If, however:

(i) the Company disposes of any or all of its interests in Infinite Sky to a party other than New Trinity or SAM;

(ii) Infinite Sky disposes of any or all of its interests in New Trinity to a party other than the Company or SAM;

(iii) New Trinity disposes of any or all of its interests in SAM to a party other than the Company or Infinite Sky; or

(iv) SAM disposes of all or a significant portion of its assets other than the sale of inventory (i.e., pellet feed or other minerals) in the ordinary course of business after the production or extraction of minerals has begun, to a party other than the Company, Infinite Sky or New Trinity;

(each a "Disposal Event") after the execution of the Settlement Agreement but before (a) the date by which an aggregate of 100,000 metric tons of pellet feed from any of the areas represented by the exploration permits issued to SAM has been shipped commercially (the "New Mining Production Commencement Date"); or (b) any final and non-appealable order, by any Brazilian regulatory authority, permanently restraining, enjoining or otherwise preventing the consummation of the New Mining Production Commencement Date, whichever is earlier, and the net proceeds from such a Disposal Event exceeds 120% of the Company's investment in SAM and the Project, which comprises:

(1) the amount of US$75,000,000, being part of the Consideration and US$420,000, an incentive payment previously paid to VNN;

(2) the Settlement Payment of US$3,000,000 under the Settlement Agreement;

(3) an amount of US$1,500,000, paid to a third party as fees for preparation of SAM's feasibility study report;

(4) the amount of US$64,175,000, representing the funds loaned to SAM and capital invested by the Company, Infinite Sky and/or New Trinity in SAM as of the date of the Settlement Agreement; and

(5) the total sum of any additional loans and capital invested (and not repaid, reduced or returned) by the Company, Infinite Sky and/or New Trinity in SAM or the Project, in each case which is related to the development of the Project, between the date of the Settlement Agreement and the date of any Disposal Event ("Honbridge's Investment"), with the aggregate of items (1) to (5) above in no event exceeding US$250,000,000, then the net proceeds from the Disposal Event that exceed 120% of Honbridge's Investment shall be shared equally by the Company and Votorantim, with payment to Votorantim in no event to exceed US$60,000,000 (the "Additional Payment"). As at the date of this announcement, the additional loans and capital invested was approximately US$3,500,000.

Conditional mining production payment to Votorantim

If, prior to the expiry of 10 years after the date of the Settlement Agreement, the New Mining Production Commencement Date occurs and all Additional Payments made by the Group to Votorantim in the aggregate prior to that date are less than US$30,000,000, then the Group shall pay US$30,000,000 to Votorantim ("New Mining Production Payment") within 10 Business Days after the New Mining Production Commencement Date.

As at 30 June 2017, saved as disclosed above the Group did not have any significant contingent liabilities.

Loan Agreement Entered into with Cloudrider Limited

On 11 April 2016, the Company entered into a loan agreement with Cloudrider Limited (the "Borrower"), pursuant to which the Company granted to the Borrower the loan with principal amount of HK$540 million (the "Loan") with an interest rate of 3% per annum (the "Loan Agreement") for funding Borrower's merger and acquisitions. HK$251,100,000 and HK$288,900,000 were lent to the Borrower on 22 April 2016 and 12 May 2016 respectively. Since the Borrower has exercised its option to extend the repayment date by 12 months the repayment period has extended from 12 months according to the Loan Agreement to 24 months. The Loan is secured by the share charges provided by two of the shareholders of the Borrower over all of their shareholdings in the Borrower and a debenture consisting of a fixed and floating charge over all of the assets of the Borrower in favour of the Company. Since the provision of the Loan and up to the date of this announcement, the Borrower has settled HK$16.2 million loan interest in accordance with the Loan Agreement. During the period ended 30 June 2017, a loan interest income of approximately HK$8.1 million was recognised by the Company. Other details of the Loan Agreement have been disclosed in the circular of the Company dated 24 May 2016.

Business Review

For the three months ended 30 June 2017, the Group recorded approximately HK$11.1 million turnover from the sale of lithium-ion batteries, representing an increase of 14.4% when compared to approximately HK$9.7 million revenue recognised in the last corresponding period. Nevertheless, the total turnover of the Group recognised was HK$12.0 million for the six months ended 30 June 2017, representing a 59.7% decrease when compared to the HK$29.9 million turnover recognised for the six months ended 30 June 2016.

The decrease in turnover in lithium-ion batteries business for the six months ended 30 June 2017 was generally due to the policy change of the PRC government. The revised central government subsidies system for new energy vehicles was only released in late December 2016 and generally each vehicle sold this year will receive 20% less central government subsidies than it would have in 2016, and the subsidy policies of local government in many cities in China were released only in mid-2017, which affects the sales strategies and pricing policy of new energy vehicles manufacturing enterprises. If a new energy vehicle manufacturer wants to apply for subsidies for its new energy vehicle models, one of the conditions precedents is their new energy vehicle models need to be included in the"Recommended Models Directory of New Energy Vehicles"《新能源汽車推廣應用推薦車型目錄》(the "Directory"). The Central Government released a notice about the re-examination of the Directory on 30 December 2016, this notice directly overturned the first to the fifth batches of directory released in 2016, announced these five batches which covered over 1000 vehicle models need to be re-examined by the government agency.

According to the notice above, these models need to be re-examined before selling. The models which have not yet included in the Directory are not eligible to receive subsidies, if these vehicle models failed to enter into the Directory, the manufacturers face the risk of losing the subsidies, therefore many production plans and sales of new energy vehicles has been halted or delayed.

The decrease was also due to the investigation carried out by the PRC Government on the misappropriation of the government subsidies by the automobile enterprises for new energy vehicle. Since the investigation began in late 2015, the PRC Government has not distributed the subsidies to the automobile enterprises in a timely manner. The automobile enterprises have occupied a large amount of their own working capital as they are unable to receive the government subsidies. This also reduced the working capital of the batteries manufacturing enterprise as the automobile enterprises delayed their payment to suppliers. Under these uncertainties, the production volume of some automobile enterprises in this period decreased substantially. Certain customers of Shandong Forever New Energy have also taken a conservative approach and control their production plan, hence reducing their demand for lithium-ion batteries. The Company also takes a more cautious approach before accepting new orders in order to mitigate the potential credit risk.

The above reasons negatively affected the atmosphere of the lithium-ion battery industry, especially in the first quarter. According to the statistics released by the China Association of Automobile Manufacturers (中國汽車工業協會), sales of new energy automobiles in the PRC for first quarter of 2017 were 54,000, representing a 8.5% decrease when compared with the 59,000 sales in the first quarter of 2016. Only HK$0.9 million turnover was recognised by the Group in the first quarter of 2017, with the adjustment and adaptation of the market, coupled with the release of the re-examined "Recommended Models Directory of New Energy Vehicles"《新能源汽車推廣應用推薦車型目錄》in succession, the industry has gradually recovered and Shandong Forever New Energy has recorded approximately HK$11.1 million in the second quarter.

The Group recorded a gross loss of approximately HK$0.9 million (gross profit ratio:–7.6%) in current period as compared with the gross profit of approximately HK$0.7 million (gross profit ratio: 2.5%) in the last corresponding period. Gross loss was recorded and the major reason is the difficulty to decrease the unit cost of battery cells under the current low production level. In addition, the increase in average cost of raw materials and the decrease in average selling price of battery cells in the current period also led to the gross loss in the current period.

For the period ended 30 June 2016, the profit attributable to the owners of the Company was HK$163.5 million which was mainly due to the net extraordinary gain of approximately HK$226.5 million recognised by the Group due to the revaluation of the contingent consideration payables and impairment on exploration and evaluation assets. After excluding such extraordinary gain/loss, the loss attributable to the owners of the Company for the period ended 30 June 2016 was HK$63 million. For the current period ended 30 June 2017, the loss attributable to the owners of the Company was HK$52.7 million. The decrease in loss was mainly due to the increase in other operating income during the current period.

The other operating income was increased by approximately HK$14.7 million in the current period mainly due to the increase in loan interest income from Cloudrider Limited by HK$5.5 million and the increase in imputed interest income of amounts due from non-controlling interests of a subsidiary by HK$6.7 million. The bank interest income also increased by approximately HK$1.2 million in the current period as the Group has been placing short term fixed deposits in banks to generate more income from idle cash.

The administrative expenses were increased by HK$8.7 million mainly because of the increase in research and development costs of approximately HK$9.9 million in the current period.

During the period ended 30 June 2017, the operation of the Group was mainly financed by the proceeds received from the Placing and Share Subscription completed in June 2015 as well as by the loan interests received from Cloudrider Limited.

The use of proceeds from placing and share subscription

Upon completion of the placing of 754,000,000 new shares (the "Placing") and the subscription of 446,000,000 new shares (the "Share Subscription") of the Company in June 2015, the Company received an aggregate of HK$1,336 million of net proceeds, HK$410 million of which was then intended to be applied to increase the Group's production capacity of lithium-ion battery business and potential investment and acquisition opportunities in the new energy vehicle related field, HK$200 million of which was intended to be used in the Brazilian iron ore project and HK$186 million of which was intended to be used for general working capital of the Company. However, the Company has yet to identify suitable investment and acquisition targets in the new energy vehicle-related field and the Company decided to improve the Group's capital efficiency and to better utilise its cash by making short term investment to generate better returns to its Shareholders. In April 2016, the Company has entered into a Loan Agreement with Cloudrider Limited (the "Borrower") and a loan with principal amount of HK$540 million has been granted.

As at 30 June 2017, out of the HK$1,336 million net proceeds that have been raised from the Placing and the Share Subscription, HK$540.0 million has been lent to the Borrower, HK$109.1 million has been utilised to repay the loans from the ultimate holding company, approximately HK$36.5 million has been used for general working capital and approximately HK$66.4 million has been utilised in the iron ore project in Brazil. For the remaining amount of approximately HK$584 million, HK$410 million will be invested into the new energy vehicle related business, HK$133.6 million will be used as the preliminary working expenses of the iron ore project in Brazil, and HK$40.4 million will be used as working capital or/and the supplementary funding to the two investments mentioned above. Once the Loan is repaid by the Borrower, the whole amount will continue to be invested into the new energy vehicle related business or other identified business at that time.

Prospect

Despite the unsatisfactory performance in the first half of 2017 and the central government of China has announced that subsidies will be gradually decreased in the coming years, the market believes that the government of China will introduce other measures to continue to promote the development of new energy vehicle industry which is one of the national development strategies. For example, in April 2017 the central government of china released a Medium and Long Term Development plan of the Automobile Industry 《汽車產業中長期發展規劃》, one of the key plans mentioned is the promotion and development of new energy vehicles and its related industries. The Ministry of Industry and Information Technology of China has also released "Average Fuel Consumption of Passenger Vehicles and New Energy Vehicle Integrated Management Approach (draft)" 《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法（徵求意見稿）》, which is now under consultation and open for comments, if the measure is implemented, the new energy vehicle manufacturers can sell their extra "Credits" to increase income to supplement the shortage of funds in the case of insufficient subsidies. Also, the traditional vehicle enterprises will be more motivated to develop and produce new energy vehicles. Therefore, in the long run, the new energy vehicles and related industries will still be on an upward trend. Lithium-ion battery is deemed as the most critical component in new energy vehicles so this sector will continue to be the focal point in this industry.

In the second half of 2017, the Group will focus on developing Zhejiang Forever New Energy into a modern lithium-ion battery enterprise in Jinhua New Energy Automobile Industrial Park which includes functions such as research and development, production, testing and inspection, demonstration and service, sales of lithium-ion, battery and battery system. Zhejiang Forever New Energy occupies an area of approximately 130,000 square meters and the plant is designed to possess a maximum production capacity of approximately 1,500,000 kWh ternary lithium-ion battery for new energy vehicles annually. Most of the construction work has been completed and installation of the first production line is scheduled to complete in the third quarter of 2017 while trial production will begin in the fourth quarter.

After Shandong Forever New Energy was listed in the Catalog according to the "Vehicle Power Battery Industry Standard Conditions (汽車動力蓄電池行業規範條件)"in July 2016, the Group has continued to make huge effort to strengthen the sales team. In 2017, the sales department has recruited more staff, aiming to achieve diversification of customers and obtain more purchase order from customers other than 康迪電動車 and 新大洋電動車.

Both Shandong Forever New Energy and Zhejiang Forever New Energy will focus on the research and development of ternary lithium battery as most of the sedan car manufacturing enterprises in China mostly prefer ternary lithium battery so as to achieve a better travel range for their new energy vehicles.

The new lithium-ion batteries include two types of products, i.e. prismatic type cell (硬包電池) and pouch type cell (軟包電池), which will be produced based on the most advanced technology and are planned to match with high-end new energy vehicles with longer travel range. High-end new energy vehicles sell at a higher price, therefore the subsidy issue has less impact on the respective new energy vehicle manufacturers. In addition, some new energy vehicles equipped with Zhejiang Forever New Energy's batteries could be exported overseas. Zhejiang Forever New Energy has been communicating frequently with potential customers, arranging factory site visit and other activities, including conducting batteries matching and testing with "EC7" car model and "Lynk & Co" car model which are owned by Geely, which positive response has been received. So Zhejiang Forever New Energy is still planning to begin the trial production in the fourth quarter this year.

For the resource sector, the latest progress of SAM's Vale do Rio Pardo Project was covered in the Progress of SAM section in this announcement and there were still no breakthrough in the progress of the Group's efforts in obtaining necessary approvals for starting the construction in respect of the SAM iron ore project. The Company will continue to push forward the project and review its status and development continuously in order to make the best decision for the shareholders of the Company. If there is any breakthrough in the matter, announcement will be made in accordance with the GEM Listing Rules.

Corporate Governance

Throughout the six months ended 30 June 2017, the Company has complied with all Code Provisions as set out in Appendix 15 of the GEM Listing Rules.

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

As at 30 June 2017, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, relating to the required standards of dealing by directors of listed issuers, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the ordinary shares of HK$0.001 each of the Company

	Number of shares in the Company					
Name of director	**Beneficial owner**	**Interest of spouse**	**Interest of controlled corporation**	**Number of Share option[2]**	**Total**	**Approximate percentage of shareholding** (%)
HE Xuechu	57,939,189	22,460,000	4,065,000,000[1]	–	4,145,399,189	52.73
LIU Wei, William	9,002,000	–	–	30,000,000	39,002,000	0.50
SHI Lixin	–	–	–	25,000,000	25,000,000	0.32
YAN Weimin	30,000,000	–	–	30,000,000	60,000,000	0.76
ANG Siu Lun, Lawrence	–	–	–	15,000,000	15,000,000	0.19
CHAN Chun Wai, Tony	1,000,000	–	–	2,000,000	3,000,000	0.04
MA Gang	–	–	–	3,000,000	3,000,000	0.04
HA Chun	–	–	–	–	–	–

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.

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 01/01/2017	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30/06/2017	Date of grant of share options (Note a)	Exercise period of share option	Exercise price per share option HK$	Price immediately preceding the grant date of share options (Note b) HK$	Price immediately preceding the exercise date of share options (Note c) HK$
Director											
LIU Wei, William	30,000,000	–	–	–	–	30,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
SHI Lixin	20,000,000	–	–	–	–	20,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
	5,000,000	–	–	–	–	5,000,000	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	2,000,000	–	–	–	–	2,000,000	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	105,000,000	–	–	–	–	105,000,000					
Employee	5,000,000	–	–	–	–	5,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
	8,750,000	–	–	–	–	8,750,000	14/05/2015	15/05/2015 – 14/05/2023	2.61	2.55	N/A
Total	118,750,000	–	–	–	–	118,750,000					

Notes:

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

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

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

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

(c) The weighted average closing price of the Shares immediately before the date on which the options were exercised.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2017, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2017, 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

	Number of Shares in the Company				
Name of Shareholder	**Beneficial owner**	**Interest of spouse**	**Interests of controlled corporation**	**Total number of shares held**	**Approximate percentage of shareholding** *(%)*
Hong Bridge	4,065,000,000 *(Note 1)*	–	–	4,065,000,000	51.71
HE Xuechu *(Note 2)*	57,939,189	22,460,000	4,065,000,000 *(Note 1)*	4,145,399,189	52.73
FOO Yatyan *(Note 2)*	22,460,000	4,122,939,189	–	4,145,399,189	52.73
LI Xing Xing	–	–	4,065,000,000 *(Note 3)*	4,065,000,000	51.71
Geely International (Hong Kong) Limited	2,250,675,675 *(Note 4)*	–	–	2,250,675,675	28.63
Zhejiang Geely Holding Group Co., Ltd. *(Note 5)*	–	–	2,250,675,675	2,250,675,675	28.63
LI Shufu *(Note 6)*	103,064,000	–	2,250,675,675	2,353,739,675	29.94
Shagang International (Hong Kong) Co., Ltd.	446,000,000	–	–	446,000,000	5.67
Jiangsu Shagang Group Co., Ltd. *(Note 7)*	–	–	446,000,000	446,000,000	5.67
Shen Wenrong *(Note 8)*	–	–	446,000,000	446,000,000	5.67
Yue Xiu Great China Fixed Income Fund II LP *(Note 9)*	694,000,000	–	–	694,000,000	8.83
Pan Shangcong *(Note 9)*	–	–	694,000,000	694,000,000	8.83
Jifu Financial Investment Company Limited *(Note 9)*	–	–	694,000,000	694,000,000	8.83
Maxwealth Investment Management Limited *(Note 9)*	–	–	694,000,000	694,000,000	8.83

Notes:

1. The 4,065,000,000 shares were held by Hong Bridge. Mr. HE Xuechu is the controlling shareholder and director holding 68% equity interest of Hong Bridge.

2. Ms. FOO Yatyan is the spouse of Mr. HE Xuechu.

3. Mr. LI Xing Xing holds 32% equity interest of Hong Bridge.

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

5. Zhejiang Geely Holding Group Co., Ltd. holds 100% equity interest of Geely International (Hong Kong) Limited.

6. Mr. LI Shufu is the controlling shareholder holding 90% equity interest of Zhejiang Geely Holding Group Co., Ltd.

7. Jiangsu Shagang Group Co., Ltd. holds 100% equity interest of Shagang International (Hong Kong) Co., Ltd.

8. Mr. Shen Wenrong is the controlling shareholder holding 46.99% equity interest of Jiangsu Shagang Group Co., Ltd.

9. Maxwealth Investment Management Limited was wholly owned by Jifu Financial Investment Company Limited, which is in turn wholly owned by Mr. Pan Shangcong. Maxwealth Investment Management Limited has indirect interest of 694,000,000 shares through its interest in Yue Xiu Great China Fixed Income Fund II LP.

Save as disclosed above, as at 30 June 2017, 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 30 June 2017, 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 six months ended 30 June 2017, there was no conversion of the Company's outstanding convertible bonds.

CONNECTED TRANSACTIONS

There was no connected transactions entered into by the Company during the period ended 30 June 2017.

INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete or had any conflicts of interest with the business of the Group for the six months ended 30 June 2017.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to which the Company, its holding company or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period under review.

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 six months ended 30 June 2017.

AUDIT COMMITTEE

The primary duties of the audit committee are to review and supervise the financial reporting, internal control procedures and risk management system 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. Ma Gang and Mr. Ha Chun, who are Independent Non-Executive Directors of the Company.

The Group's unaudited results for the six months ended 30 June 2017 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 in 2005. Current Committee members are Mr. HA Chun (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 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. MA Gang. and Mr. HA Chun. The Committee meets at least once every year and 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 six months ended 30 June 2017, neither the Company, its ultimate holding 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. MA Gang and Mr. HA Chun as Independent Non-Executive Directors.

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

Hong Kong, 9 August 2017