



**Feishang Non-metal Materials Technology Limited**

**飛尚非金屬材料科技有限公司**

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

**(Stock Code: 8331)**

**INTERIM REPORT  
FOR THE SIX MONTHS ENDED  
30 JUNE 2016**

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

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

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

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors (the “Directors”) of Feishang Non-metal Materials Technology Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



## **CONTENTS**

Corporate Information	3
Financial Highlights	5
Management Discussion and Analysis	6
Other Information	21
Independent Review Report	28
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	30
Condensed Consolidated Statement of Financial Position	31
Condensed Consolidated Statement of Changes in Equity	33
Condensed Consolidated Statement of Cash Flows	34
Notes to the Condensed Consolidated Interim Financial Statements	35

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. XU Chengyin

*(Chairman and Chief Executive Officer)*

Mr. ZHANG Pingwu

Mr. CHEN Gongbao

#### Independent Non-executive Directors

Mr. CHAN Chiu Hung Alex

Mr. DUAN Xuechen

Mr. ZHENG Shuilin

### AUTHORISED REPRESENTATIVES

Mr. CHEN Gongbao

Mr. YUE Ming Wai Bonaventure

### COMPANY SECRETARY

Mr. YUE Ming Wai Bonaventure

### COMPLIANCE OFFICER

Mr. CHEN Gongbao

### AUDIT COMMITTEE

Mr. CHAN Chiu Hung Alex *(Chairman)*

Mr. DUAN Xuechen

Mr. ZHENG Shuilin

### NOMINATION COMMITTEE

Mr. ZHENG Shuilin *(Chairman)*

Mr. CHAN Chiu Hung Alex

Mr. DUAN Xuechen

Mr. CHEN Gongbao

### REMUNERATION COMMITTEE

Mr. DUAN Xuechen *(Chairman)*

Mr. CHAN Chiu Hung Alex

Mr. ZHENG Shuilin

Mr. XU Chengyin

### AUDITORS

SHINIEWING (HK) CPA Limited

Certified Public Accountants

43/F, Lee Garden One

33 Hysan Avenue

Causeway Bay

Hong Kong

### REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

### HONG KONG OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2204, Shun Tak Centre

200 Connaught Road Central

Sheung Wan

Hong Kong

Telephone: +852 28589860

Facsimile: +852 28106963

### COMPANY'S WEBSITE

<http://www.fsnmmaterials.com>

### COMPANY'S STOCK CODE

8331.HK



## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Codan Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **LEGAL ADVISERS**

*(As to Hong Kong Law)*  
MinterEllison

*(As to PRC Law)*  
Commerce & Finance Law Offices

*(As to Cayman Islands Law)*  
Conyers Dill & Pearman

## **COMPLIANCE ADVISER**

Celestial Capital Limited  
21/F, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

## **PRINCIPAL BANKERS**

Bank of China (Luxembourg)  
S.A. Brussels Branch  
Bank of China Limited (Wuhu branch)  
Industrial and Commercial Bank of  
China Limited (Fanchang branch)

## FINANCIAL HIGHLIGHTS



### For the six months ended 30 June 2016

- Revenue down 10.6% to CNY13.6 million
- Profits and total comprehensive income attributable to the owners of the Company up 2,958.4% to CNY2.7 million
- Basic earnings per share was CNY0.54 cents



## MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board (the “Board”) of Directors, I present the unaudited interim results of the Group for the six months ended 30 June 2016 (the “Reporting Period”) to the shareholders of the Company.

### BUSINESS REVIEW

In the first half of 2016, as China’s economy continued to settle into the “new normal state”\* (新常态), various industries also continued to undergo structural adjustment and streamlining of production capacity. The iron and steel industry continued to experience declining economic efficiency with little signs of improvement. Meanwhile, great destocking pressure in the real estate industry in most cities in eastern China have resulted in a slowdown in property development investment, which in turn affected sales of the Group’s drilling mud used for trenchless directional drilling in civil engineering projects. The impact on sales of the Group’s drilling mud was exacerbated by the depression in the energy industry as investment in oil and gas transportation pipelines construction projects decreased.

In view of the various market pressures, the Group adhered to the policy of “selling more with lower margin” strategy by lowering the selling price of pelletising clay with the aim to increase sales volume and market share, while proactively adjusting operating strategies to adapt to the changing market conditions. The Group strived to maintain and improve its market position by enhancing its research and development capabilities to lower costs, increase efficiency and increase competitiveness, thus further expanding its market share and customer base. In the first half of 2016, the Group completed a techno-economic viability study of two new bentonite products and also completed the expansion of storage facilities for dried bentonite ore to be processed into drilling mud.

## Business Strategies Review with Progress of Implementation

The Group aims to strengthen its market position in the People's Republic of China (the "PRC"). In order to achieve this objective, the Group intends to pursue the following strategies. The following table sets out the Group's business strategies as disclosed in the prospectus of the Company dated 18 December 2015 (the "Prospectus") with the actual progress of implementation as at 30 June 2016.

Business Strategy	Implementation Plan	Progress of Implementation as at 30 June 2016
Broaden customer base and develop product recognition	(i) Collaborating with external institutions in the PRC for the development of new technologies and new bentonite products to cater for high-valued downstream markets other than iron ore pelletising and civil engineering;	(i) The external institutions and internal research and development team are working on the techno-economic viability of several new bentonite products and processing technologies;
	(ii) attending and participating in industry forums and events to network with other industry professionals and potential customers; and	(ii) The Group has established contacts with several industry experts and potential customers to explore cooperation opportunities; and
	(iii) expanding sales and marketing team to further enhance sales and marketing activities.	(iii) The Group was in the process of recruiting more experienced personnel for sales and marketing.
Development of new production technology and new products	Signing collaboration agreements with two universities and one research institute	Completed techno-economic viability study of two new products: (a) polyaniline/montmorillonitenano-composite conductive coating materials and (b) titanium dioxide/montmorillonitenano-composite materials & photocatalytic.
Recruitment of more talents	Recruiting more experienced personnel who possess abundant knowledge and rich experience in various aspects of the business, including mine design and construction, mining, processing, sales and marketing and research & development of principal products.	The Group was in the process of recruiting more experienced personnel for processing, and sales and marketing.
Acquisition of other non-metal mines	Identify and evaluate potential acquisition opportunities and/or targets that are appropriate and compatible with the Group's business.	Have not indentified any potential acquisition targets that satisfy the Group's criteria.
Improvement of plant and equipment	Upgrade current processing plant by, among others, purchasing new processing equipment such as Raymond mill, modifying the rotary drum dryer and construction of new storage bins for storing pelletising clay.	Completed the construction of new storage facilities for pelletising clay;
		Completed the expansion of storage facilities for dried bentonite ore to be processed into drilling mud;
		Replaced the old forklift truck;
		Replaced a transformer in the processing plant;
		The original modification/improvement plan of the existing rotary drum dryer to be implemented in June 2016 was postponed to the second half of 2016 as discussed in the section headed "Use of Listing Proceeds" below.



## Use of Listing Proceeds

The actual net proceeds from the placing of the 125,000,000 new shares of the Company on 29 December 2015 (the "Placing") was approximately HK\$12.7 million. There was approximately HK\$12.4 million of the proceeds remain unutilised as at the date of this report and had been placed as short-term interest bearing deposits with authorised financial institutions in Hong Kong and the PRC. Set out below is the revised timeline, as disclosed in the Company's announcement dated 21 March 2016, from 29 December 2015 (the "Listing Date") to 31 December 2017 for the Group to deploy the net proceeds raised from the Placing taking into account the actual placing price of HK\$0.32 per share in accordance with the implementation of the future plans, and the actual use of net proceeds up to the date of this report:

	From the Listing Date up to 31 December 2015 (HK\$ million)	For the six months ended 30 June 2016 (HK\$ million)	For the six months ending 31 December 2016 (HK\$ million)	For the six months ending 30 June 2017 (HK\$ million)	For the six months ending 31 December 2017 (HK\$ million)	Total net proceeds (HK\$ million)	Approximate percentage of net proceeds %	Actual use of net proceeds up to the date of this report (HK\$ million)
Development of production technology for new products	-	-	-	-	7.7	7.7	60.6	-
Improvement of plant and equipment	-	0.4	4.6	-	-	5.0	39.4	0.3 (Note)
<b>Total</b>	<b>-</b>	<b>0.4</b>	<b>4.6</b>	<b>-</b>	<b>7.7</b>	<b>12.7</b>	<b>100.0</b>	<b>0.3</b> (Note)

### Note:

The original modification/improvement plan of the existing rotary drum dryer to be implemented in June 2016 was postponed to the second half of 2016. The modification work was temporarily suspended because the drum-drying facilities was occupied intermittently to cater for the heavy rainfall weather in eastern China since mid-June 2016. Therefore, the actual use of net proceeds of the Group was only HK\$0.3 million instead of HK\$0.4 million for the Reporting Period.

## Mine Property Summary



The Group holds the mining rights to Huanghu Bentonite Mine. The following table sets out certain information of the mine and details of the mining license.

Location	Huanghu Bentonite Mine Fanchang county, Wuhu city, Anhui province	
Equity Interest held by the Group	100%	
Date of initial commercial production	Commercial production of pelletising clay in 2004 and drilling mud in 2010	
Permitted mining right area	7.2982km <sup>2</sup>	
Mining method	Open-pit	
Mining depth/elevation limit	From 57 mASL to -23 mASL	
Permitted annual production capacity	230,000 m <sup>3</sup> (equivalent to approximately 400,000 tonnes)	
Validity period of current licence	9 September 2015 to 9 March 2019	
Reserve data (as at 1 July 2015) <i>(Note 1)</i>	Dry	Wet
Proved reserve (metric tonnes)	1,720,000	2,151,000
Probable reserve (metric tonnes)	4,724,000	5,910,000
Total (metric tonnes)	6,444,000	8,061,000
Reserve data (as at 30 June 2016) <i>(Note 2)</i>	Dry	Wet
Proved reserve (metric tonnes)	1,648,000	2,055,000
Probable reserve (metric tonnes)	4,724,000	5,910,000
Total (metric tonnes)	6,372,000	7,965,000
Average quality of bentonite		
Active montmorillonite	47.0%	
Colloid index	61.1ml/15g	
Swelling capacity	8.7ml/g	
Capital expenditure for the six months ended 30 June 2016	CNY1,592,000	
Output for the six months ended 30 June 2016 (metric tonnes)	36,000	

### Notes:

- (1) The reserve data as at 1 July 2015 is extracted from the independent technical report dated 18 December 2015 prepared by SRK Consulting (Hong Kong) Limited under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, December 2012.
- (2) The reserve data as at 30 June 2016 has been substantiated by the Group's internal expert by adjusting those reserves extracted by the Group's mining activities from July 2015 to June 2016 from the proved reserve as at 1 July 2015. All assumptions and technical parameters set out in the independent technical report as shown in the Prospectus have not been materially changed and continued to apply to the reserve data as at 30 June 2016.
- (3) There is no exploration activity carried out by the Group during the Reporting Period.



## Compliance

As at 30 June 2016, as stated in “Business – Legal proceedings and regulatory compliance – Regulatory non-compliance” of the Prospectus, in relation to the incidents of non-compliance with the applicable laws and regulations including those relating to environmental protection, land rehabilitation, safety, etc., the Group had already taken remedial actions and implemented relevant internal control measures. All these aspects have been in compliance with applicable laws and regulations as at the date of this report. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, in particular, those which have significant impact on the Group. The compliance committee of the Company (the “Compliance Committee”) is not aware of the occurrence of any other material non-compliance incidents during the Reporting Period.

### **Risk Management and Internal Control**

The Board has overall responsibility for the effective risk management and internal control systems of the Group and is committed to the maintenance of good corporate governance, practices and procedures of the Group. The Board believes that all the major risk factors relevant to the Group have already been listed in “Risk factors” of the Prospectus. As at 30 June 2016 and the date of this report, save as disclosed otherwise, the business environment and regulatory environment in which the Group operates have not witnessed any material change, and internal operations and management and financial operations have been running smoothly, and thereby no other major risk factors need to be disclosed separately. In accordance with the revised Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules, the Group continuously improves the risk management and internal control systems, and updates a number of policies. The Board believes that these measures will strengthen the risk management and internal control systems of the Group.

## FINANCIAL REVIEW



### Items of the Consolidated Statement of Profit or Loss

Items	For the six months ended 30 June 2016 <i>CNY'000</i> (unaudited)	For the six months ended 30 June 2015 <i>CNY'000</i> (audited)	Change (%)
Revenue	<b>13,628</b>	15,247	(10.6%)
Cost of sales	<b>(7,926)</b>	(7,906)	0.3%
Gross profit	<b>5,702</b>	7,341	(22.3%)
Other income	<b>2,545</b>	482	428.0%
Selling and distribution expenses	<b>(651)</b>	(644)	1.1%
Administrative and other expenses	<b>(3,781)</b>	(5,653)	(33.1%)
Finance costs	<b>(293)</b>	(168)	74.4%
Income tax expense	<b>(800)</b>	(1,269)	(37.0%)
Profit and total comprehensive income for the period attributable to the owners of the Company	<b><u>2,722</u></b>	<u>89</u>	<u>2,958.4%</u>

### Revenue

#### Breakdown of the Group's Revenue by Products

	Six months ended 30 June			
	2016		2015	
	<i>CNY'000</i> (unaudited)	%	<i>CNY'000</i> (audited)	%
Drilling mud	<b>8,577</b>	<b>62.9</b>	10,212	67.0
Pelletising clay	<b>5,051</b>	<b>37.1</b>	4,560	29.9
Unprocessed clay	-	-	475	3.1
Total revenue	<b><u>13,628</u></b>	<b><u>100</u></b>	<u>15,247</u>	<u>100</u>

## Breakdown of the Group's Sales Volume and Average Selling Price by Products

	Six months ended 30 June			
	2016		2015	
	Sales volume (tonnes)	Average selling price (CNY/tonne)	Sales volume (tonnes)	Average selling price (CNY/tonne)
Drilling mud	19,486	440.2	22,400	455.9
Pelletising clay	18,440	273.9	14,828	307.5
Unprocessed clay	-	-	8,695	54.7
	<u>-</u>	<u>-</u>	<u>8,695</u>	<u>54.7</u>

The revenue decreased by approximately 10.6% from approximately CNY15.2 million for the six months ended 30 June 2015 to approximately CNY13.6 million for the Reporting Period. Such decrease in revenue was mainly due to (i) the decrease in sales volume of drilling mud; (ii) the decrease in sales volume of unprocessed clay; and (iii) the decrease in average selling price of pelletising clay, which was partially offset by the increase in sales volume of pelletising clay. The drop in sales volume of drilling mud was mainly caused by the general economic downturn in the PRC. The general economic slowdown in China's iron and steel industry also exerted pressure on the average selling price of pelletising clay. Despite the adverse environment, the Group managed to boost the sales volume of pelletising clay by strengthening its marketing and sales effort.

## Cost of Sales

### Breakdown of the Group's Cost of Sales

Cost Items	Six months ended 30 June			
	2016		2015	
	CNY'000 (unaudited)	%	CNY'000 (audited)	%
Extraction costs	252	3.2	253	3.2
Processing costs				
– Air-drying costs	735	9.2	586	7.4
– Consumables, materials and supplies	1,710	21.6	2,051	26.0
– Depreciation and amortisation	576	7.3	545	6.9
– Staff costs	1,488	18.8	1,457	18.4
– Transportation costs	1,039	13.1	814	10.3
– Utility costs	1,493	18.8	1,448	18.3
– Others	62	0.8	56	0.7
Sales tax and surcharges	571	7.2	696	8.8
	<u>7,926</u>	<u>100</u>	<u>7,906</u>	<u>100</u>
Total cost	<u>7,926</u>	<u>100</u>	<u>7,906</u>	<u>100</u>

## Breakdown of the Group's Cost of Sales by Products



	Six months ended 30 June					
	2016			2015		
	<i>CNY/ tonne</i>	<i>CNY'000 (unaudited)</i>	<i>%</i>	<i>CNY/ tonne</i>	<i>CNY'000 (audited)</i>	<i>%</i>
Drilling mud	220.8	4,302	54.3	222.5	4,983	63.0
Pelletising clay	196.5	3,624	45.7	185.0	2,744	34.7
Unprocessed clay	-	-	-	20.6	179	2.3
Total cost		<b>7,926</b>	<b>100.0</b>		<b>7,906</b>	<b>100.0</b>

The total cost of sales increased slightly by approximately 0.3% for the Reporting Period as compared to the same period in 2015. The slight increase in total cost of sales was mainly due to (i) the increase in depreciation for the new storage facilities for pelletising clay; (ii) the higher product specification requirement of the customers; (iii) the increase in sales volume of pelletising clay; and (iv) the increase in air-drying costs and transportation costs as a result of more use of air-drying clay during the Reporting Period which nevertheless counterbalanced the decrease in cost of consumables, materials and supplies due to less use of rotary drum-drying, which was partly offset by the decreased sales volume of drilling mud.

Cost of sales for drilling mud decreased by approximately 13.7% from approximately CNY5.0 million for the six months ended 30 June 2015 to approximately CNY4.3 million for the Reporting Period. The decrease in cost of sales for drilling mud was mainly due to a decrease in sales volume of drilling mud by approximately 13.0%.

Cost of sales for pelletising clay increased by approximately 32.1% from approximately CNY2.7 million for the six months ended 30 June 2015 to approximately CNY3.6 million for the Reporting Period. The increase in cost of sales for pelletising clay was mainly due to (i) the increase in sales volume of pelletising clay by approximately 24.4%; (ii) the increase in depreciation for the new storage facilities for pelletising clay; and (iii) the higher product specification requirement of a pelletising clay customer.

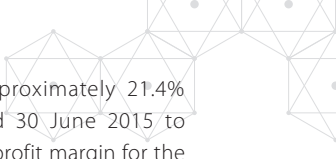
## Gross Profit and Gross Margin

### Breakdown of the Group's Gross Profit and Gross Profit Margin by Products

	Six months ended 30 June			
	2016		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	CNY'000	%	CNY'000	%
	(unaudited)		(audited)	
Drilling mud	4,275	49.8	5,229	51.2
Pelletising clay	1,427	28.3	1,816	39.8
Unprocessed clay	-	-	296	62.3
	<b>5,702</b>	<b>41.8</b>	<b>7,341</b>	<b>48.1</b>

The overall gross profit decreased by approximately 22.3% from approximately CNY7.3 million for the six months ended 30 June 2015 to approximately CNY5.7 million for the Reporting Period, while the overall gross profit margin decreased from approximately 48.1% for the six months ended 30 June 2015 to approximately 41.8% for the Reporting Period. The decrease in the overall gross profit was mainly caused by (i) the decrease in average selling price of pelletising clay; and (ii) the decrease in sales volume of drilling mud and unprocessed clay, partly offset by the increase in sales volume of pelletising clay. The decrease in overall gross profit margin was mainly due to (i) a decrease in the proportion of sales amount of drilling mud and unprocessed clay with relatively higher gross profit margin, which in aggregate, accounted for approximately 70.1% of total revenue for the six months ended 30 June 2015 and decreased to approximately 62.9% of total revenue for the Reporting Period; and (ii) a decrease in gross profit margin for the sale of pelletising clay.

Gross profit for the sale of drilling mud decreased by approximately 18.2% from approximately CNY5.2 million for the six months ended 30 June 2015 to approximately CNY4.3 million for the Reporting Period. Gross profit margin for the sale of drilling mud also slightly decreased from approximately 51.2% for the six months ended 30 June 2015 to approximately 49.8% for the Reporting Period. The decrease in gross profit for the sale of drilling mud was mainly caused by the decrease of sales volume, and the decrease in gross profit margin was mainly caused by the slight decrease in sales proportion of drilling mud with higher technical specifications.



Gross profit for the sale of pelletising clay decreased by approximately 21.4% from approximately CNY1.8 million for the six months ended 30 June 2015 to approximately CNY1.4 million for the Reporting Period. The gross profit margin for the sale of pelletising clay also decreased from approximately 39.8% for the six months ended 30 June 2015 to approximately 28.3% for the Reporting Period. The decreases in gross profit and gross profit margin for the sale of pelletising clay were caused by a decrease in the average selling price of pelletising clay and an increase in the average unit cost of sales of pelletising clay as discussed above.

### **Other Income**

The rise in other income from approximately CNY0.5 million for the six months ended 30 June 2015 to approximately CNY2.5 million for the Reporting Period was mainly due to the Group's receipt of a monetary award in the sum of CNY2.0 million from Fanchang County People's Government\* (繁昌縣人民政府) in the first half of 2016 for the successful listing of the Company's shares (the "Shares") on GEM on the Listing Date (the "Listing"). The other income for the six months ended 30 June 2015 mainly comprised net gain on financial assets, recovery of bad debts and bank interest income.

### **Selling and Distribution Expenses**

The selling and distribution expenses slightly increased by approximately 1.1% from approximately CNY0.6 million for the six months ended 30 June 2015 to approximately CNY0.7 million for the Reporting Period. This was primarily due to the increase in transportation fee arising from the increase in pelletising clay sales, of which the Group was responsible for the delivery.

### **Administrative and Other Expenses**

The administrative and other expenses decreased by approximately 33.1% from approximately CNY5.7 million for the six months ended 30 June 2015 to approximately CNY3.8 million for the Reporting Period. The decrease was mainly due to the one-off listing expenses amounting to CNY3.7 million recognised for the six months ended 30 June 2015, which was partially offset by (i) the professional fees and expenses amounting to approximately CNY1.3 million incurred in respect of ongoing compliance with, among others, the relevant regulatory requirements for listed companies for the Reporting Period; and (ii) the increase in staff cost amounting to approximately CNY0.6 million resulting from an increase in the headcount of administrative and management staff for the Reporting Period.





## Finance Costs

The finance costs increased by approximately 74.4% from approximately CNY0.2 million for the six months ended 30 June 2015 to approximately CNY0.3 million for the Reporting Period. This was due to the increase in accrual of loan interest expense for a bank loan drawn down in December 2015.

### **Income Tax Expense**

The Group had an income tax expense of approximately CNY0.8 million for the Reporting Period as compared to approximately CNY1.3 million for the six months ended 30 June 2015. The decrease was mainly due to a decline in the opening deferred tax assets for the six months ended 30 June 2015 resulting from a reduction of enterprise income tax rate applicable to Wuhu Feishang Non-metallic Material Company Limited, the indirect wholly-owned subsidiary of the Company, from 25% to 15% as it was categorised as a High Technology Enterprise on 2 July 2014.

### **Profit and Total Comprehensive Income for the Period**

The profit and total comprehensive income attributable to the owners of the Company was approximately CNY2.7 million for the Reporting Period, an increase of approximately CNY2.6 million from the profit of approximately CNY0.1 million for the six months ended 30 June 2015. This was mainly contributed by (i) the CNY2.0 million monetary award from Fanchang County People's Government\* (繁昌縣人民政府) in the first half of 2016; and (ii) the lack of one-off listing expenses recognised for the six months ended 30 June 2015 amounting to approximately CNY3.7 million for the Reporting Period. The effect was partially offset by (i) the decrease of approximately CNY1.6 million in gross profit; (ii) the increase in staff cost amounting to approximately CNY0.6 million; and (iii) the increase in professional fees and expenses amounting to approximately CNY1.3 million in respect of ongoing compliance with, among others, the relevant regulatory requirements for listed companies.

## FINANCIAL RESOURCES REVIEW



### Liquidity, Financial Resources and Capital Structure

As at 31 December 2015 and 30 June 2016, the Group had net current assets of approximately CNY43.6 million and approximately CNY45.7 million, respectively. With the exception of a HK\$ denominated short term pledged bank loan with an outstanding balance of approximately HK\$8.6 million as at 30 June 2016 and a last instalment ending in December 2016, all the liabilities are denominated in CNY. The Group has not engaged in any foreign currency contract to hedge the potential foreign currency exchange exposure. The Group intends to fund the cash requirements from operating cash inflow and listing proceeds.

As at 30 June 2016, the Group had cash and cash equivalents of approximately CNY27.5 million.

### Pledge of Assets of the Group

As at 30 June 2016, the Group has maintained its pledged bank deposits of CNY15.0 million with Bank of China Limited (Wuhu Branch) in relation to a short-term bank loan of approximately HK\$17.1 million that the Group obtained in December 2015 from Bank of China (Luxembourg) S.A. Brussels Branch for settlement of the outstanding amount due to its controlling shareholder prior to the Listing. The outstanding amount of the bank loan was approximately HK\$8.6 million as at 30 June 2016.

### Capital Commitments and Financing Needs

As at 30 June 2016, apart from the implementation plans, capital needs and financing plans as stated in the section headed "Future Plans and Use of Proceeds" (adjusted as disclosed in the Company's announcement dated 21 March 2016) and "Financial Information" of the Prospectus, the Group had no other new implementation plans or financing plans.

### Gearing Ratio

As at 31 December 2015 and 30 June 2016, the gearing ratio (which is calculated by dividing total interest bearing debt by total capital at the end of the year/Reporting Period and multiplying by 100%) was 23.9% and 11.7% respectively. The gearing ratio decreased in 2016 as the Group repaid the bank loan by instalment during the Reporting Period.



## **Significant Investments/Material Acquisitions and Disposals**

Save as disclosed under the sections headed “Business Strategies Review with Progress of Implementation” and “Use of Listing Proceeds” above, the Group did not make any significant investment or have any material acquisitions and disposals during the Reporting Period.

## **Currency Exposure and Management**

Since the majority of the Group’s business activities are mainly transacted in CNY, the Directors consider that the Group’s risk in foreign exchange is insignificant.

## **Contingent Liabilities**

As at 30 June 2016, except for bank borrowings disclosed above, the Group did not have any loan capital or debt securities issued or agreed to be issued, outstanding bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits, finance leases or hire purchase commitments or guarantees or material contingent liabilities.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the Reporting Period (six months ended 30 June 2015: Nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2016, the Group employed 86 full time employees (as at 30 June 2015: 88) for its principal activities. Employees’ costs (including Directors’ emoluments) amounted to CNY2.3 million for the Reporting Period (six months ended 30 June 2015: CNY1.7 million). The Group recognises the importance of retaining high calibre and competent staff and continues to provide remuneration packages to employees with reference to the performance of the Group, the performance of individuals and prevailing market rates. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company.

## **SUBSEQUENT EVENT**

There is no material event undertaken by the Company or the Group subsequent to 30 June 2016 and up to the date of this report.

## **OUTLOOK**

As disclosed in the announcement of the Company dated 11 July 2016, in mid-June 2016, southern China experienced torrential rain which eventually spread to eastern China and triggered severe floods in late-June, badly affecting areas along the Yangtze River (the "2016 Floods"). The rain also increased in intensity in late-June. Given that all of the Group's business operations, as well as most of its customers and suppliers, are located in eastern China, the impact of the 2016 Floods on the Group since late-June include, among others, (a) temporary suspension of mining operations; (b) decrease in production volumes and sales volumes of the Group's principal products, especially drilling mud; and (c) increase in (i) water drainage expenses for the mining site; and (ii) production costs due to increased reliance on rotary drum-drying as a result of temporary suspension of air-drying activities.

Although steel and coal prices have been rising since June 2016, China's economy still faces great difficulties and challenges in the long term due to increasing downward pressure, especially in the Group's downstream market such as energy, steel and real estate industries, whose situations have been further worsened by the 2016 Floods. Taking into account the recurring professional fees and expenses in respect of the relevant regulatory listing requirements, despite the relentless efforts of the Group, the operating results of the Group are likely to be unsatisfactory for the second half year of 2016. To cope with the adverse business environment, the Group intends to continue expanding its customer base and market share, increase product recognition of its principal products, enhance production technologies, and develop new products to increase its competitiveness.

As at the date of this report, the flood has retreated. Flood water drainage work at the Huanghu Bentonite Mine has been completed and the production and operation activities of the mining site have returned to normal. However, project construction work of the Group's customers in the downstream market has not yet fully recovered. The 2016 Floods has resulted in a sharp decrease in sales volumes of the Group's drilling mud in July 2016 and an increase in water drainage expenses and production costs. It is expected that the adverse impact of the 2016 Floods will continue affecting demand for the major products of the Group for some time in the future.



## **AUDIT COMMITTEE**

The Company has an audit committee (the “Audit Committee”) which was established in accordance with the requirements of the GEM Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors. The members of the Audit Committee are Mr. CHAN Chiu Hung Alex (chairman), Mr. DUAN Xuechen and Mr. ZHENG Shuilin. The Audit Committee meets regularly with the Company’s senior management and the Company’s auditors to consider the Company’s financial reporting process, the effectiveness of internal controls, the audit process and risk management. The Audit Committee has reviewed the Group’s unaudited condensed consolidated financial statements for the Reporting Period.

The interim condensed consolidated financial statements of the Group for the Reporting Period have not been audited, but have been reviewed by the Company’s auditors, SHINEWING (HK) CPA Limited, in accordance with Hong Kong Standards on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express my appreciation to all the staff and management team of the Group for their hard work and dedication during the Reporting Period. I would also like to express my sincere gratitude to all the shareholders of the Company for their continuous support.

By Order of the Board

**Feishang Non-metal Materials Technology Limited**

**XU Chengyin**

*Chairman and Chief Executive Officer*

Hong Kong, 12 August 2016

\* *for identification purpose only*

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2016, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholder	Long/short position	Capacity	Number of Shares	Note	Percentage of the issued Shares (%)
Mr. LI Feilie	Long position	Interest held by his controlled corporation	375,000,000	1	75.00
Laitan Investments Limited	Long position	Interest held by its controlled corporation	375,000,000	1	75.00
Feishang Group Limited	Long position	Beneficial owner	375,000,000	1	75.00

*Note:*

1. The 375,000,000 Shares were held by Feishang Group Limited, which is wholly owned by Laitan Investments Limited, which is in turn wholly owned by Mr. LI Feilie. According to the SFO, both Mr. LI Feilie and Laitan Investments Limited are deemed to have interests in the 375,000,000 Shares held by Feishang Group Limited.

Save as disclosed above, as at 30 June 2016, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

As at 30 June 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the 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 and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"), were set out below:

### (I) The Company

N/A

### (II) Associated Corporations (within the meaning of the SFO)

#### (i) China Natural Resources, Inc.

Name of Director	Long/short position	Capacity	Number of shares	Note	Percentage of the issued shares (%)
Mr. CHEN Gongbao	Long position	Interest of his spouse	14,603	1	0.06

Note:


- The 14,603 common shares were held by Mrs. QIAN Dongmei, the spouse of Mr. CHEN Gongbao.

#### (ii) Feishang Anthracite Resources Limited

Name of Director	Long/short position	Capacity	Number of shares	Note	Percentage of the issued shares (%)
Mr. CHEN Gongbao	Long position	Interest of his spouse	12,500	1	0.0009

Note:

- The 12,500 common shares were held by Mrs. QIAN Dongmei, the spouse of Mr. CHEN Gongbao.



Save as disclosed above, as at 30 June 2016, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are 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 are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY AND OTHER CORPORATION**

Other than the share option as disclosed under the heading of "Share Option Scheme of the Company" below, at no time during the Reporting Period was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

## **CORPORATE GOVERNANCE PRACTICES**

During the Reporting Period, the Company has complied with the code provisions as set out in the CG Code, save and except for code provision A.2.1, as set out below.

### **Chairman and Chief Executive**

Mr. XU Chengyin is the chairman and chief executive officer of the Company. He is mainly responsible for formulating corporate strategies and supervising the business and marketing operations of the Group. Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The Company deviates from this code provision of the CG Code with Mr. XU Chengyin being the chairman and chief executive officer of the Company concurrently. The Board considers this arrangement is appropriate as it allows for efficient discharge of the executive functions of the chief executive officer. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals including three independent non-executive Directors offering independent advice from different perspectives. In addition, major decisions are made after consultation with the Board and appropriate Board committees, as well as senior management. The Board is therefore of the view that there are adequate balance and safeguards in place.





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

There was no purchase, sale or redemption of the Company's listed Shares by the Company or any of its subsidiaries during the Reporting Period.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Articles of Association of the Company although there are no restrictions against such rights under the laws of the Cayman Islands.

## **DISCLOSURE OF CHANGE OF DIRECTORS' INFORMATION**

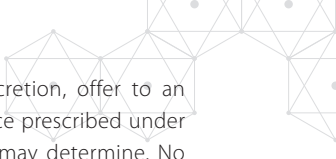
Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change and update in Directors' information is as follows:

Mr. CHAN Chiu Hung Alex has been appointed as independent non-executive director of Cinderella Media Group Limited (a company listed on the Stock Exchange) since March 2016.

Save as disclosed above, the Directors are not aware of any other change in the Directors' information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

## **SHARE OPTION SCHEME OF THE COMPANY**

A share option scheme was adopted by the Company on 12 December 2015 (the "Share Option Scheme"), under which the Board may, at its discretion, offer any Eligible Participant (as hereinafter defined) options to subscribe for the Shares subject to the terms and conditions stipulated therein. The Share Option Scheme is valid and effective for a period of 10 years from the Listing Date (the "Scheme Period"). The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of Eligible Participants to the Group by granting options to them as incentives or rewards. An Eligible Participant may include any (a) executive, employee, director, consultant, adviser and/or agent of any member of the Group; and (b) any other person who has contributed to the success of the listing of the Company on GEM, in each case, as determined by the Board. The eligibility of an Eligible Participant will be determined by the Board with reference to his or her past and expected commitment and contribution to the Group.

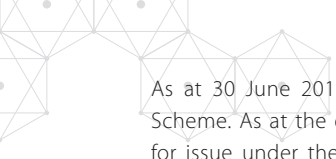


The Board may, during the Scheme Period, at its absolute discretion, offer to an Eligible Participant an option to subscribe, at the subscription price prescribed under the Share Option Scheme, such number of Shares as the Board may determine. No further options may be granted after the expiry of the Scheme Period. The options may be exercised by an Eligible Participant, in whole or in part, at any time during the period commencing from the date on which an option certificate is issued to an Eligible Participant upon the grant of any option to him ("Date of Grant") and ending on such date as the Board may determine, but in any event not exceeding 10 years from the Date of Grant. The minimum period for which a share option must be held before it can be exercised would be determined by the Board.

The total number of Shares in respect of which options may be granted under the Share Option Scheme and under any other schemes of the Group (if any) must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date ("Scheme Mandate Limit"), unless approved by the Company's shareholders. The Company may seek the approval of its shareholders in general meeting to renew the Scheme Mandate Limit, and such total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed Scheme Mandate Limit. The number of Shares in respect of which options may be granted to any Eligible Participant in any 12-month period is not permitted to exceed 1% of the Shares in issue as at the date of grant of the options, unless approved by the Company's shareholders. In addition, the number of Shares in respect of which options may be granted to any Eligible Participant (who is a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates (within the meaning as ascribed under the GEM Listing Rules)) in any 12-month period is not permitted to exceed 0.1% of the total number of Shares in issue and an aggregate of HK\$5,000,000, based on the closing price of the Shares at the date of each grant, unless approved by the Company's shareholders.

The subscription price for the Shares to be issued pursuant to the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Eligible Participants (subject to any adjustments made pursuant to the terms and conditions of the Share Option Scheme) and shall be the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of a Share.

Each Eligible Participant is required to pay HK\$1 as consideration for the grant of option.



As at 30 June 2016, no options had been granted pursuant to the Share Option Scheme. As at the date of this report, the Company had 50,000,000 Shares available for issue under the Share Option Scheme (representing 10% of the existing issued share capital of the Company).

## **REQUIRED STANDARD OF DEALINGS FOR SECURITIES TRANSACTIONS BY DIRECTORS**

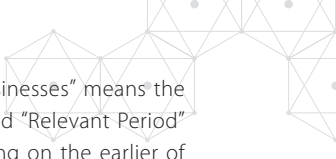
The Company has adopted the Required Standard of Dealings as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Required Standard of Dealings throughout the Reporting Period.

The Company also has written guidelines regarding securities transactions on terms no less exacting than the required standard set out in the Required Standard of Dealings for senior management and any individuals who may have access to inside information in relation to the securities of the Company.

## **DEED OF NON-COMPETITION**

Feishang Group Limited, Laitan Investments Limited and Mr. LI Feilie (collectively, the "Controlling Shareholders") each as a covenantor, executed a deed of non-competition on 12 December 2015 (the "Deed of Non-Competition") in favour of the Company, pursuant to which each covenantor had given an irrevocable non-competition undertaking in favour of the Company that, among others, at any time during the Relevant Period (as defined below), the covenantor shall:

- (a) save for engaging in the Restricted Business (as defined below) through the Group, not, and shall procure that none of its/his close associates (other than the Group and Feishang Anthracite Resources Limited and its subsidiaries from time to time) shall, directly or indirectly, carry on, invest, participate or be engaged in any business which competes or may compete with the Restricted Business; and
- (b) promptly provide the Company with any relevant information in respect of any new business opportunity within the PRC which competes or may compete with the Restricted Business or future business of the Group of which it/he or its/his close associates may have knowledge and will give the Company an option exercisable by the Company within 30 days upon receipt of the written notification of relevant information to take up such new business opportunity and it/he and its/his close associates may only take up such new business opportunity after the independent non-executive Directors have separately reviewed and decided that the Group should decline such new business opportunity.



For the purpose of the Deed of Non-Competition, “Restricted Businesses” means the business engaged by the Group in the PRC from time to time; and “Relevant Period” means the period commencing from the Listing Date and expiring on the earlier of the date on which the covenantor cease to be the Controlling Shareholder for the purpose of the GEM Listing Rules; or the date on which the Shares cease to be listed on the Stock Exchange.

The Company has been granted, under the Deed of Non-Competition, the first right of refusal and options to purchase if such new business opportunity which competes or may compete with the Restricted Business arises.

## **INTEREST IN COMPETING BUSINESS**

Save as disclosed, throughout the Reporting Period, none of the Directors and controlling shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) has any interest in a business that competes or may compete with the business of the Group and any other conflicts of interests which such person had or may have with the Group.

## **PUBLIC FLOAT**

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, there was sufficient public float of not less than 25% of the Company’s issued Shares as required under the GEM Listing Rules.

## **INTEREST OF COMPLIANCE ADVISER**

The Company has received confirmation from its compliance adviser, Celestial Capital Limited (the “Compliance Adviser”), that as at 30 June 2016, except for the compliance adviser’s agreement entered into between the Company and the Compliance Adviser dated 19 September 2015 in connection with the Listing, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company or any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.



## INDEPENDENT REVIEW REPORT



SHINEWING (HK) CPA Limited  
43/F., Lee Garden One  
33 Hysan Avenue  
Causeway Bay, Hong Kong

### **TO THE BOARD OF DIRECTORS OF FEISHANG NON-METAL MATERIALS TECHNOLOGY LIMITED**

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

#### **Introduction**

We have reviewed the accompanying interim financial statements of Feishang Non-Metal Materials Technology Limited and its subsidiaries set out on page 30 to 46 which comprise the condensed consolidated statement of financial position as at 30 June 2016, and condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes.

The Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34.

Our responsibility is to express a conclusion on these condensed interim financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



## **Scope of review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

### **SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

#### **Tang Kwan Lai**

Practising Certificate Number: P05299

Hong Kong

12 August 2016

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2016	2015	2016	2015
		CNY'000	CNY'000	CNY'000	CNY'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenue	3	<b>6,582</b>	7,913	<b>13,628</b>	15,247
Cost of sales		<b>(3,581)</b>	(3,911)	<b>(7,926)</b>	(7,906)
Gross profit		<b>3,001</b>	4,002	<b>5,702</b>	7,341
Other income	5	<b>525</b>	165	<b>2,545</b>	482
Selling and distribution expenses		<b>(256)</b>	(304)	<b>(651)</b>	(644)
Administrative and other expenses		<b>(2,053)</b>	(3,158)	<b>(3,781)</b>	(5,653)
Finance costs	6	<b>(117)</b>	(86)	<b>(293)</b>	(168)
Profit before tax		<b>1,100</b>	619	<b>3,522</b>	1,358
Income tax expense	7	<b>(331)</b>	(364)	<b>(800)</b>	(1,269)
Profit and total comprehensive income for the period attributable to the owners of the Company	8	<b>769</b>	255	<b>2,722</b>	89
Earnings per share (CNY):					
Basic and diluted	10	<b>0.15 cents</b>	0.07 cents	<b>0.54 cents</b>	0.02 cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		At <b>30 June</b> <b>2016</b> <i>CNY'000</i> <b>(Unaudited)</b>	At 31 December 2015 <i>CNY'000</i> (Audited)
Non-current assets			
Property, plant and equipment	11	<b>13,444</b>	13,910
Prepaid lease payments		<b>2,701</b>	2,740
Intangible asset	12	<b>5,243</b>	3,850
Restricted bank balances		<b>2,228</b>	2,203
Deferred tax assets		<b>548</b>	722
		<b>24,164</b>	23,425
Current assets			
Inventories		<b>2,320</b>	2,253
Trade, bills and other receivables	13	<b>10,967</b>	16,361
Prepaid lease payments		<b>77</b>	77
Pledged bank deposit		<b>15,000</b>	15,000
Bank balances and cash		<b>27,464</b>	32,097
		<b>55,828</b>	65,788
Current liabilities			
Trade and other payables	14	<b>2,515</b>	7,543
Income tax payables		<b>292</b>	333
Secured bank borrowing	15	<b>7,314</b>	14,323
		<b>10,121</b>	22,199
Net current assets		<b>45,707</b>	43,589
		<b>69,871</b>	67,014



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 30 June 2016

		<b>At 30 June 2016</b>	At 31 December 2015
	<i>Notes</i>	<b>CNY'000 (Unaudited)</b>	<i>CNY'000 (Audited)</i>
Capital and reserves			
Share capital	16	<b>4,188</b>	4,188
Reserves		<b>58,470</b>	55,748
		<b>62,658</b>	59,936
Non-current liabilities			
Asset retirement obligations		<b>6,773</b>	6,598
Deferred income		<b>440</b>	480
		<b>7,213</b>	7,078
		<b>69,871</b>	67,014

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share Capital CNY'000	Share premium CNY'000	Other reserve CNY'000 (Note i)	Statutory reserve CNY'000 (Note ii)	Safety fund and production maintenance fund CNY'000 (Note iii)	Retained earnings CNY'000	Total CNY'000
At 1 January 2016 (Audited)	4,188	25,954	23,351	2,830	652	2,961	59,936
Profit and total comprehensive income for the period	-	-	-	-	-	2,722	2,722
Appropriation to statutory reserve	-	-	-	349	-	(349)	-
Appropriation and utilisation of safety fund and production maintenance fund, net	-	-	-	-	73	(73)	-
At 30 June 2016 (Unaudited)	<u>4,188</u>	<u>25,954</u>	<u>23,351</u>	<u>3,179</u>	<u>725</u>	<u>5,261</u>	<u>62,658</u>
At 1 January 2015 (Audited)	-	-	26,492	2,148	490	14,679	43,809
Profit and total comprehensive income for the period	-	-	-	-	-	89	89
Appropriation to statutory reserve	-	-	-	397	-	(397)	-
Appropriation and utilisation of safety fund and production maintenance fund, net	-	-	-	-	93	(93)	-
At 30 June 2015 (Audited)	<u>-</u>	<u>-</u>	<u>26,492</u>	<u>2,545</u>	<u>583</u>	<u>14,278</u>	<u>43,898</u>

Notes:

(i) Other reserve

It represents (a) the capital contribution from the controlling shareholder of Feishang International Holdings Limited ("Feishang International") during the fiscal year of 2002 to 2003; and (b) the difference between the nominal value of the issued share capital of the Company and share capital of the then holding company, Feishang International, upon the group reorganisation.

(ii) Statutory reserve

As required by applicable law and regulations, entities established and operated in The People's Republic of China (the "PRC") shall set aside/appropriate a portion of its after tax profits of each year to fund statutory reserve. The statutory reserve is not distributable as cash dividends and must be made before distribution of dividend to equity owners.

(iii) Safety fund and production maintenance fund

As stipulated by the State Administration of Work Safety of the PRC, Wuhu Feishang Non-metallic Material Company Limited ("Feishang Material") is required to accrue the safety production fund and the production maintenance funds which is based on the production volume annually for the utilisation of future safety production expense.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	<b>2016</b> <b>CNY'000</b> <b>(Unaudited)</b>	2015 CNY'000 (Audited)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	<u>2,036</u>	<u>(1,551)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,592)</u>	<u>(2,335)</u>
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	<u>(5,077)</u>	<u>4,589</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<b>(4,633)</b>	703
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u><b>32,097</b></u>	<u>23,631</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE, REPRESENTED BY BANK BALANCES AND CASH	<u><b>27,464</b></u>	<u>24,334</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016



## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

Feishang Non-metal Materials Technology Limited (the "Company") was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 15 July 2015 and its shares were listed on the Growth Enterprises Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 29 December 2015. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the address of the principal place of business of the Company is Xiao Keshan, Xingang Town, Fanchang County, Wuhu, Anhui Province, PRC.

The immediate holding company and ultimate holding company of the Company are Feishang Group Limited and Laitan Investments Limited respectively, both of which were incorporated in the British Virgin Islands (the "BVI").

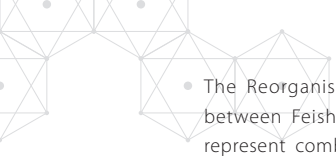
The Company is an investment holding company while the principal subsidiary is mainly engaged in bentonite mining, production and sales of drilling mud and pelletising clay.

The condensed consolidated interim financial statements are presented in Chinese Yuan ("CNY"), which is also the functional currency of the Company. CNY is the currency of the primary economic environment in which the principal subsidiary of the Company operates (the functional currency of the principal subsidiary).

Feishang International, which is a holding company of Feishang Material and Shenzhen Zhuorui Business Management Consultant Company Limited\* (深圳市卓瑞企業管理諮詢有限公司), is ultimately owned by Mr. Li Feilie, Laitan Investments Limited and Feishang Group Limited (the "Controlling Shareholders") since August 2002.

Pursuant to the reorganisation as set out in the section headed "History, Reorganisation and Group Structure" in the prospectus of the Company dated 18 December 2015 (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 17 September 2015.

\* *The English name is for identification purpose only.*

- 
- The Reorganisation above involves interspersing a shell company, the Company, between Feishang International and the Controlling Shareholders, which does not represent combination of businesses. Therefore, the Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the condensed consolidated interim financial statements of the Group has been prepared and presented on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the six months ended 30 June 2015.

Accordingly, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows including the results and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the six months ended 30 June 2015.

## **2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated interim financial statements for the Reporting Period have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”). In addition, the condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provision of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The condensed consolidated interim financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has adopted, for the first time, new or revised standards, amendments to standards and interpretations of IFRSs issued by IASB which are effective for accounting periods commencing on or after 1 January 2016. The adoption of those new or revised standards, amendments to standards and interpretations had no material effect on the consolidated interim financial statements and does not result in substantial changes to the Group’s accounting policies.

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretation ("new IFRSs") issued by the IASB which are effective for the Group's financial year beginning 1 January 2016.

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

The Group has not early adopted any new IFRSs that have been issued but are not yet effective.

### **3. REVENUE**

Revenue represents the amounts received and receivable from sales of goods in the normal course of business, net of sales related tax.

### **4. SEGMENT INFORMATION**

Information reported to the chief operating decision maker (being the directors of the Company), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

For management purpose, the Group operates in one business unit based on their products, and has one reportable and operating segment: bentonite mining, production and sales of drilling mud and pelletising clay. The directors of the Company monitor the revenue of its business unit as a whole based on the monthly sales and delivery reports for the purpose of making decisions about resource allocation and performance assessment.

## 5. • OTHER INCOME

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	CNY'000	CNY'000	CNY'000	CNY'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Bank interest income	227	33	227	66
Government grants <i>(Note)</i>	50	-	2,050	-
Release of government grant for property, plant and equipment	20	20	40	40
Recovery of bad debts	-	89	-	89
Net gain on financial assets at fair value through profit or loss	-	23	-	279
Exchange gain, net	177	-	177	-
Reversal of impairment loss on trade receivables	50	-	50	-
Others	1	-	1	8
	<b>525</b>	165	<b>2,545</b>	482

### *Note:*

Included in the amount of government grants recognised during the Reporting Period, CNY2,000,000 (six months ended 30 June 2015: nil) was received from local government authority as a result of the successful listing of the Company on the GEM of the Stock Exchange. All government grants were received from local government authorities of which the Group fulfilled all conditions or contingencies relating to those subsidies.

## 6. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	CNY'000	CNY'000	CNY'000	CNY'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Interest expenses on				
secured bank borrowing	56	–	118	–
Unwinding of discount on				
provision for dismantlement	61	86	175	168
	<b>117</b>	86	<b>293</b>	168

## 7. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	CNY'000	CNY'000	CNY'000	CNY'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Current tax:				
PRC Enterprise Income Tax ("EIT")	306	436	626	703
Deferred taxation:				
Current period	25	(72)	174	49
Attributable to change in				
tax rate (note d)	–	–	–	517
	<b>331</b>	364	<b>800</b>	1,269

Notes:

- Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for both periods.
- Under the Law of the PRC on EIT and implementation regulation of the EIT Law, the tax rate of the subsidiaries established in the PRC is 25% for both periods.
- On 2 July 2014, Feishang Material was recognised as a High Technology Enterprise and subject to EIT at 15% in accordance with the EIT Law effective from 1 January 2015.



## 8. PROFIT FOR THE PERIOD

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	CNY'000	CNY'000	CNY'000	CNY'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Profit for the period has been arrived at after charging:				
Amortisation of intangible asset	9	10	22	23
Amortisation of prepaid lease payments	20	7	39	7
Amount of inventories recognised as an expenses	3,517	3,908	7,787	7,729
Exchange loss, net	-	16	-	16
Depreciation of property, plant and equipment	333	320	669	646
Loss on disposal/written off of property, plant and equipment (included in administrative and other expenses), net	3	16	3	16
Impairment loss on trade receivables (included in administrative and other expenses)	-	50	-	50
Lease payments paid under operating lease in respect of plant and equipment	96	273	233	558

## 9. DIVIDEND

No dividend was paid, declared or proposed during the Reporting Period, nor has any dividend been proposed since the end of the Reporting Period (six months ended 30 June 2015: nil).

## 10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following:

Three months ended 30 June		Six months ended 30 June	
2016	2015	2016	2015
CNY'000	CNY'000	CNY'000	CNY'000
(Unaudited)	(Unaudited)	(Unaudited)	(Audited)

### Earnings

Earnings for the purpose of basic and diluted earnings per share

<b>769</b>	255	<b>2,722</b>	89
------------	-----	--------------	----

Three months ended 30 June		Six months ended 30 June	
2016	2015	2016	2015

### Number of shares

Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000 shares)

<b>500,000</b>	375,000	<b>500,000</b>	375,000
----------------	---------	----------------	---------

*Note:*

The weighted average number of ordinary shares in issue during the six/three months ended 30 June 2015 assuming 375,000,000 ordinary shares were in issue during the six/three months ended 30 June 2015 after taking into account the ordinary shares issue pursuant to the Reorganisation as stated in note 1.

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding for both periods.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group spent approximately CNY217,000 (six months ended 30 June 2015: approximately CNY570,000) on acquisition of property, plant and equipment.

During the Reporting Period, the Group has disposed of certain property, plant and equipment with an aggregate carrying values of approximately CNY8,000 (six months ended 30 June 2015: approximately CNY15,000) for cash proceeds of approximately CNY11,000 (six months ended 30 June 2015: approximately CNY11,000), resulting in a gain on disposal of approximately CNY3,000 (six months ended 30 June 2015: loss on disposal of approximately CNY5,000).

The Group has written-off of certain property, plant and equipment with an aggregate carrying values of approximately CNY6,000 (six months ended 30 June 2015: approximately CNY11,000), resulting in a loss on disposal of approximately CNY6,000 during the Reporting Period (six months ended 30 June 2015: approximately CNY11,000).

## 12. INTANGIBLE ASSET

During the Reporting Period, the Group spent approximately CNY1,415,000 (six months ended 30 June 2015: nil) in relation to the mining site.

## 13. TRADE, BILLS AND OTHER RECEIVABLES

	<b>At 30 June 2016 CNY'000 (Unaudited)</b>	At 31 December 2015 CNY'000 (Audited)
Trade receivables	<b>4,794</b>	4,760
Less: allowance for impairment of trade receivables	<u>–</u>	<u>(50)</u>
	<b>4,794</b>	4,710
Bills receivables	<b>5,260</b>	3,893
Trade deposits paid	<b>50</b>	54
Prepayments	<b>362</b>	121
Other receivables ( <i>Note</i> )	<u><b>501</b></u>	<u>7,583</u>
	<u><b>10,967</b></u>	<u>16,361</u>

Note:

As at 31 December 2015, included in other receivables was an amount of approximately HK\$8,667,000 (equivalent to approximately CNY7,259,000) (as at 30 June 2016: nil) which represented the net proceeds from issue and placing of shares due from the underwriter in connection with the listing of the Company's shares on GEM. The amount was fully settled subsequently in January 2016.

The Group allows credit period ranging from 5 days upon receipt of invoice to three months from the receipt of goods by or invoices to its trade customers. The following is an ageing analysis of trade receivables, net of allowance for impairment of trade receivables, presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the Reporting Period.

	<b>At 30 June 2016 CNY'000 (Unaudited)</b>	At 31 December 2015 CNY'000 (Audited)
Within 30 days	<b>3,294</b>	1,734
31 to 60 days	<b>662</b>	935
61 to 90 days	<b>449</b>	1,048
91 to 180 days	<b>109</b>	563
Over 181 days	<b>280</b>	430
Total	<b><u>4,794</u></b>	<b><u>4,710</u></b>

As at 30 June 2016 and 31 December 2015, all of the bills receivables were aged within 180 days.

#### 14. TRADE AND OTHER PAYABLES

	<b>At 30 June 2016 CNY'000 (Unaudited)</b>	At 31 December 2015 CNY'000 (Audited)
Trade payables	<b>1,059</b>	952
Other payables and accruals	<b>1,234</b>	6,511
Advance from customers	<b>222</b>	80
	<b><u>2,515</u></b>	<b><u>7,543</u></b>

- The following is an ageing analysis of trade payable presented based on invoice date at the end of the Reporting Period.

	<b>At 30 June 2016 CNY'000 (Unaudited)</b>	At 31 December 2015 CNY'000 (Audited)
Within 30 days	<b>940</b>	725
31 to 60 days	<b>35</b>	76
61 to 90 days	<b>12</b>	60
91 to 180 days	<b>–</b>	46
Over 181 days	<b>72</b>	45
	<hr/> <b>1,059</b> <hr/>	<hr/> 952 <hr/>
Total	<b>1,059</b>	952

The average credit period granted is 30 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

#### 15. SECURED BANK BORROWING

	<b>At 30 June 2016 CNY'000 (Unaudited)</b>	At 31 December 2015 CNY'000 (Audited)
Secured bank borrowing repayable within one year	<b>7,314</b>	14,323
	<hr/> <b>7,314</b> <hr/>	<hr/> 14,323 <hr/>

*Notes:*

- During the year ended 31 December 2015, the Group obtained a new bank borrowing of HK\$17,100,000 (equivalent to approximately CNY14,323,000) to repay the outstanding amount due to a controlling shareholder incurred during the year ended 31 December 2015 before the listing of the Company. The bank borrowing will be repayable in full in December 2016.
- The bank borrowing carried floating rate at the Hong Kong Interbank Offered Rate effectively 2.07% per annum during the Reporting Period (year ended 31 December 2015: 1.89%).
- As at 30 June 2016 and 31 December 2015, the secured bank borrowing was secured by the Group's pledged bank deposit of CNY15,000,000, respectively.

## 16. SHARE CAPITAL



	Number of shares	Share capital	
		HK\$	(Equivalent to) CNY'000
Authorised			
Ordinary share of HK\$0.01 each			
At 31 December 2015 and 30 June 2016	<u>10,000,000,000</u>	<u>100,000,000</u>	
Issued and fully paid			
At the date of incorporation ( <i>Note a</i> )	1	-	-
Issue in consideration for the acquisition of the issued share capital of Feishang International ( <i>Note b</i> )	374,999,999	3,750,000	3,141
Issue upon listing of the Company ( <i>Note c</i> )	<u>125,000,000</u>	<u>1,250,000</u>	<u>1,047</u>
At 31 December 2015 (audited) and 30 June 2016 (unaudited)	<u>500,000,000</u>	<u>5,000,000</u>	<u>4,188</u>

### Notes:

- (a) On 15 July 2015, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares of HK\$0.01 each. At the date of incorporation, one fully paid share of HK\$0.01 was allotted and issued.
- (b) On 17 September 2015, the Company acquired the entire issued share capital of Feishang International by allotting and issuing 374,999,999 shares of HK\$0.01 each as consideration to its then shareholder, Feishang Group Limited.
- (c) In connection with the Company's placing and listing, on 28 December 2015, the Company issued 125,000,000 ordinary shares HK\$0.01 each at a price of HK\$0.32 per share. Of the gross proceeds from the placing of HK\$40,000,000 (equivalent to approximately CNY33,504,000), HK\$1,250,000 (equivalent to approximately CNY1,047,000), representing the par value credit to the Company's share capital, and HK\$38,750,000 (equivalent to approximately CNY32,457,000), before the share issue expenses, were credited to the share premium account.
- (d) All shares issued during the year ended 31 December 2015 rank pari passu in all aspects among themselves and with the then existing shares (Reporting Period: nil).

## 17. SHARE-BASED PAYMENT TRANSACTIONS

### Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to written resolution of the Company passed on 12 December 2015 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 28 December 2025. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

No share options have been granted since the adoption of the Scheme and during the Reporting Period (six months ended 30 June 2015: nil).

## 18. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated interim financial statements, the Group has entered into the following transactions with related parties.

### (a) Compensation to key management personnel

The remuneration of directors of the Company and other members of key management during the period was as follow:

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	CNY'000	CNY'000	CNY'000	CNY'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Short-term benefits	185	31	376	62
Post-employment benefits	38	4	78	8
	<u>223</u>	<u>35</u>	<u>454</u>	<u>70</u>

The remuneration of the directors of the Company and key executives is determined with regards to the performance of individuals.

- (b) For the six months ended 30 June 2015, a trademark owned by a related company, which is beneficially owned by the ultimate controlling shareholder, was used by the Group at nil consideration. The Group has ceased to use the trademark since August 2015.
- (c) During the six months ended 30 June 2016 and 2015, Wuhu Feishang Development Limited\* (蕪湖市飛尚實業發展有限公司), in which Mr. Li Feilie, the controlling shareholder of the Company, has direct equity interests, provides part of its property to the Group for administrative purpose at nil consideration.

\* The English name is for identification purpose only.