



North Mining Shares Company Limited

北方礦業股份有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 433)

Interim Report 2013



CORPORATE INFORMATION

Directors

Executive Directors

Gao Yuan Xing (*Chairman and
Chief Executive Officer*)

Qian Yi Dong (*Deputy Chairman*)

Zhang Jia Kun

Independent Non-executive Directors

Mu Xiangming

Cheng Chak Ho

Lo Wa Kei Roy

Company Secretary

Yuen Wing Kwan

Audit Committee

Mu Xiangming (*Chairman*)

Cheng Chak Ho

Lo Wa Kei Roy

Remuneration Committee

Lo Wa Kei Roy (*Chairman*)

Cheng Chak Ho

Qian Yi Dong

Principal Bankers

Citibank

Standard Chartered Bank
(Hong Kong) Limited

HSBC

Wing Hang Bank Limited

Auditors

Elite Partners CPA Limited

Certified Public Accountants

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head Office And Principal Place Of Business

Rooms 3609–10, 36/F

China Resources Building

No. 26 Harbour Road

Wanchai

Hong Kong

Principal Share Registrar

Butterfield Fulcrum Group (Bermuda)
Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM08 Bermuda

Hong Kong Branch Share Registrar And Transfer Office

Tricor Tengis Limited

26/F, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

Listing Information

The Stock Exchange of Hong Kong Limited
(Stock Code: 433)

Website

www.northmining.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

For the six months ended 30 June 2013, the Group recorded a turnover of approximately HK\$141,763,000 (30 June 2012: HK\$194,615,000), representing a decrease of about 27% over the same period in 2012.

During the period under review, the profit recorded by the Group was about HK\$6,194,000 (30 June 2012: loss of approximately HK\$52,950,000). Such turn around from loss to profit was mainly due to the total imputed interest income of HK\$29,579,000 from the Ding Jing Promissory Notes, Rui Sui Promissory Notes and Yi Tong Promissory Notes and a dividend income from its contingent assets of approximately HK\$11,309,000.

SEGMENT BUSINESS REVIEW

The principal activities of the Group are (i) mining operations — exploitation, exploration and trading of mineral resources, and (ii) property management operations. An analysis for each of the business operations is set out as follows:

Mining Operations — Exploitation and exploration

During the period under review, the volume of molybdenum concentrate produced was about 2,244 tonnes. The sales volume of molybdenum concentrate was about 1,509 tones (30 June 2012: 2,565 tones), whereas the grade of molybdenum concentrate was approximately 42% to 45%. The average selling price of molybdenum concentrate was about HK\$69,482 per tonne. During the period under review, the mining operation contributed a revenue of approximately HK\$135,018,000 (30 June 2012: HK\$191,383,000) to the Group, of which approximately HK\$104,848,000 was attributable to sales of molybdenum concentrate (30 June 2012: HK\$191,383,000) and approximately HK\$30,170,000 was attributable to sales of sulfuric acid and iron concentrate (30 June 2012: Nil) The cost of sales was about HK\$80,625,000 (30 June 2012: HK\$156,700,000). The gross profit was amounted to about HK\$54,393,000 (30 June 2012: HK\$34,683,000). During the six months ended 30 June 2013, the Group recognised an amortization of mining rights of approximately HK\$20,581,000 (30 June 2012: HK\$62,014,000), such decrease was mainly attributable to the decrease in the production of molybdenum concentrate during the reporting period. After deducting the operating expenses and amortisation of mining rights, the mining operation recorded a profit of approximately HK\$56,000 (30 June 2012: a loss of approximately HK\$59,100,000).

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Mining Operation — Trading of Mineral Resources

For the six months ended June 2013, the turnover generated from the trading of copper was approximately HK\$3,441,000 (30 June 2012: Nil) and the trading of copper recorded a gross profit of approximately HK\$6,000 (30 June 2012: Nil).

Property Management Operations

For the six months ended 30 June 2013, the turnover generated from the property management operation was approximately HK\$3,304,000, representing a growth of approximately 2% over the corresponding period of last year of HK\$3,232,000 and the increase was mainly due to effect of exchange rate differences.

Other Business

Associates

* *Jilin Province Rui Sui Kuang Ye Company Limited ("Rui Sui Kuang Ye") (吉林省瑞穗礦業有限公司)*

After the disposal of 26% equity interests of Rui Si Kuang Ye on 22 March 2012, Rui Sui Kuang Ye has been classified as an associated company of the Company. The Iron Mine and the Molybdenum Mine held by Rui Sui Kuang Ye is still in its exploration stage that it recorded a loss of approximately HK\$447,000 from the share of associated company.

Other Financial Assets

As at 30 June 2013, the Group had three promissory notes, namely Ding Jin Promissory Notes, Rui Sui Promissory Notes and Yi Tong Promissory Notes, details of which are set out below:

Ding Jin Promissory Notes

As disclosed in the announcement of the Company dated 28 December 2011, the Group entered into a subscription agreement with Shaanxi Ding Jin Mining Company Limited ("Ding Jin"), the Issuer, pursuant to which the Group is eligible to subscribe for the promissory notes issued by Ding Jin. The principal amount of the promissory notes was HK\$500 million and carried at interest of HK\$100 million, payable on the maturity date, which is 5 years from subscription. During the period under review, approximately HK\$12,025,000 of imputed interest income was come from Ding Jin Promissory Notes.

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Rui Sui Promissory Notes

As disclosed in the announcement of the Company dated 22 March 2012, the Group disposed of 26% equity interests in Rui Sui, for an aggregate consideration of HK\$600 million, which was satisfied by a promissory notes issued by the purchaser with maturity date of 3 years from the issue date of the promissory notes. During the period under review, approximately HK\$3,760,000 of imputed interest income was come from Rui Sui Promissory Notes.

Yi Tong Promissory Notes

As disclosed in the announcement of the Company dated 17 September 2012, the Group disposed of 70% equity interests in Heilongjiang Yi Tong Mining Company Limited (“Yi Tong”) at a consideration of HK\$230 million, of which approximately HK\$46 million was settled by cash and approximately HK\$184 million was settled by issuance of the promissory note issued by the purchaser with maturity date of 3 years from the issue date of the promissory notes. During the period under review, approximately HK\$13,794,000 of imputed interest income was come from Yi Tong Promissory Notes.

PROSPECTS

In the first half of 2013, the average selling price of domestic molybdenum concentrates was around RMB1,714/metric tonne unit. The general trend of the domestic molybdenum price was going into a slow decline compare with the corresponding period of last year. The Group will continue to keep abreast of the changing market conditions and will adjust its business and operation strategies. Moreover, the Group may seek some strategic opportunities to cooperate with other sizable mining companies in order to enhance the economics of scale.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and proceeds received from fund raising activities. During the period under review, the Group recorded a net cash outflow of approximately HK\$94,075,000 (2012: net cash inflow of approximately HK\$60,280,000). As at 30 June 2013, the Group had outstanding bank borrowings in the amount of approximately HK\$224,000,000 (31 December 2012: HK\$94,611,000), the gearing ratio was 3.7% (31 December 2012: 0.68%). The Group enjoys good liquidity and solvency. The current ratio was approximately 0.7 for the six months ended 30 June 2013 while it was 0.6 as at 31 December 2012. As at 30 June 2013, the debt to equity ratio was 0.58 while it was 0.59 as at 31 December 2012. The ratio was calculated by dividing the total liabilities of HK\$1,659,371,000 (31 December 2012: HK\$1,652,615,000) by equity attributable to owners of the Company of approximately of HK\$2,873,647,000 (31 December 2012: HK\$2,782,507,000). The Board believes that the Group has a healthy financial position and sufficient resources to satisfy its capital expenditure and working capital requirement.

Contingent Assets

During the period under review, the Group received RMB9,000,000 dividend from Xian Communication University Second Affiliated Middle School Southern District. The transfer of land and property rights are still being processed. The school was a compensation asset receivable as a result of a fraud transaction taken by a minority shareholder of the Group's subsidiary who had surrendered a property development project held by the Group to Xian Government without the Company's knowledge or consent in previous years.

Capital Commitment

As at 30 June 2013, the Group did not have any capital commitments.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: Nil).

Capital Structure

The capital structure of the Group as at 30 June 2013 has been summarized below:

	30 June 2013 HK'000 (Unaudited)	31 December 2012 HK'000 (Audited)
Current assets	737,163	652,204
Current liabilities	1,051,794	1,047,140
Shareholders' equity	2,873,647	2,782,507

Treasury Policies

During the six months ended 30 June 2013, the major currencies on which principal business activities of the Group used were mainly denominated in Hong Kong dollars and Renminbi. The Board does not consider that the Group is significantly exposed to foreign currency risks. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. For the six months ended 30 June 2013, the Group did not employ any financial instruments for hedging purpose and did not engage in foreign currency speculative activities.

Borrowings and Banking Facilities

As at 30 June 2013, the Group had current portion of bank borrowings of approximately HK\$224,000,000 (31 December 2012: approximately HK\$94,611,000).

Human Resources and Remuneration Policy

As at 30 June 2013, the Group employed 737 (30 June 2012: 732) full time employees in Hong Kong and the PRC. Employee remuneration packages are structured and reviewed with reference to the nature of jobs, market condition and individual merits. The Group also provides other employees benefits which include year-end double pay, mandatory provident fund and medical insurance. Total staff costs for the six months ended 30 June 2013 were approximately HK\$8,728,000 (30 June 2012: HK\$8,035,000).

The board of directors (the “Board”) of North Mining Shares Company Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2013, together with the comparative figures for the corresponding period in 2012.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Revenue	3	141,763	194,615
Cost of sales		(109,004)	(159,415)
Gross profit		32,759	35,200
Other income and gains	4	40,993	26,780
General and administrative expenses		(37,329)	(42,867)
Other operating expenses		(23,526)	(62,014)
Profit/(Loss) from operations	6	12,897	(42,901)
Finance costs	7	(5,410)	(9,057)
Share of result of associate		(447)	–
Profit/(Loss) before taxation		7,040	(51,958)
Taxation	8	(846)	(992)
Profit/(Loss) for the period		6,194	(52,950)
Profit/(Loss) for the period attributable to:			
Owners of the Company		5,721	(32,265)
Non-controlling interests		473	(20,685)
		6,194	(52,950)
Profit/(Loss) per share			
— Basic	10	0.04 HK cents	(0.25) HK cents
— Diluted		N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(Loss) for the period	6,194	(52,950)
Other comprehensive income:		
Exchange differences arising from translation of foreign operations	(39,281)	1,256
Total comprehensive loss for the period	(33,087)	(51,694)
Attributable to:		
Owners of the Company	(18,655)	(31,449)
Non-controlling interests	(14,432)	(20,245)
	(33,087)	(51,694)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

		30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
	Notes		
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment		321,806	314,001
Investment in associates	12	637,352	637,799
Prepaid lease payments		78,730	81,675
Mining rights		1,989,964	2,010,545
Other financial assets	13	1,259,510	1,229,931
		4,287,362	4,273,951
<i>Current assets</i>			
Inventories		82,208	104,813
Trade receivables	11	22,639	39,870
Prepayments, deposits and other receivables		332,085	115,609
Tax recoverable		25,805	23,411
Cash and cash equivalents		274,426	368,501
		737,163	652,204
Total assets		5,024,525	4,926,155
CAPITAL AND RESERVES			
Share capital		230,922	224,041
Reserves		2,642,725	2,558,466
		2,873,647	2,782,507
Non-controlling interests		491,507	491,033
Total equity		3,365,154	3,273,540
LIABILITIES			
<i>Non-current liabilities</i>			
Deferred tax liabilities		507,050	507,050
Provision for environmental and resources tax		100,527	98,425
		607,577	605,475

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

As at 30 June 2013

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
<i>Current liabilities</i>		
Trade payables	64,802	115,602
Other payables and accruals	46,130	112,823
Bank borrowings	224,000	94,611
Other financial liabilities	647,009	647,009
Amounts due to related parties	65,297	67,577
Tax payables	4,556	9,518
	1,051,794	1,047,140
Total liabilities	1,659,371	1,652,615
Total equity and liabilities	5,024,525	4,926,155
Net current liabilities	(314,631)	(394,936)
Total assets less current liabilities	3,972,731	3,879,015
Net assets	3,365,154	3,273,540

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Share Capital HK'000	Share Premium HK'000	Share Contributed Surplus HK'000	Capital Reserve HK'000	Special Reserve HK'000	Fair value Reserve HK'000	Statutory Reserve HK'000	Exchange Reserve HK'000	Accumulated Loss HK'000	Sub-total HK'000	Controlling Interests HK'000	Total Equity HK'000
At 1 January 2012 (Audited, as restated)	208,041	2,256,805	31,350	(894)	-	-	12,677	185,369	540,887	3,234,235	1,805,638	5,039,873
Placing of shares	4,800	73,200	-	-	-	-	-	-	-	78,000	-	78,000
Disposal of subsidiaries	-	-	-	-	-	-	-	(4,770)	-	(4,770)	(1,120,422)	(1,125,192)
Total comprehensive income for the period	-	-	-	-	-	-	473,195	1,256	(32,266)	442,185	(20,684)	421,501
At 30 June 2012 (Unaudited)	212,841	2,330,005	31,350	(894)	-	-	485,872	181,855	508,621	3,749,650	664,532	4,414,182
At 1 January 2013 (Audited)	224,041	2,570,805	31,350	(894)	-	-	12,677	256,112	(311,584)	2,782,507	491,033	3,273,540
Conversion of convertible notes	6,881	117,820	-	-	-	-	-	-	-	124,701	-	124,701
Total comprehensive expense for the period	-	-	-	-	-	-	-	(39,281)	5,720	(33,561)	474	(33,087)
At 30 June 2013 (Unaudited)	230,922	2,688,625	31,350	(894)	-	-	12,677	216,831	(305,864)	2,873,647	491,507	3,365,154

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	(297,771)	(55,972)
Net cash outflow from investing activities	(7,805)	(84,273)
Net cash inflow from financing activities	248,680	200,525
Net (decrease)/increase in cash and cash equivalents	(56,896)	60,280
Cash and cash equivalents at beginning of period	368,501	24,305
Effect of foreign exchange rate change, net	(37,179)	(3,513)
Cash and cash equivalents at end of period	274,426	81,072
Analysis of balance of cash and cash equivalents		
Cash and bank balances	274,426	81,072

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 10 April 1995 under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at Room 3609–10, 36/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are (i) mining operations-exploitation and exploration and trading of mineral resources, and (ii) property management operation.

In the opinion of the directors of the Company (the “Directors”), the Company’s ultimate holding company is China Wan Tai Group Limited, which was incorporated in Hong Kong.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the Unaudited Condensed Consolidated Interim Financial Statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited.

The Unaudited Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2012 which were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”)(which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA.

These interim results are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009–2011 Cycle
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised in 2011)	Employee Benefits
HKAS 27 (Revised in 2011)	Separates Financial Statements
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-INT 20	Stripping Costs in the Production Phase of a Surface Mine

The adoption of the above new and revised HKFRSs in the current interim period has had no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited condensed consolidated financial statements.

The Group has not applied any new or revised HKFRs that have been issued but are not yet effective for the current accounting period.

HKFRS 9	Financial Instruments ²
HKFRS10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities ¹
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities ¹
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets ¹
HK (IFRIC)-INT 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that the adoption of these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

3. REVENUE

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Property management fee income	3,304	3,232
Sales of molybdenum concentrate	135,018	191,383
Trading of mineral resources	3,441	–
	141,763	194,615

4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	103	137
Gain on disposal of subsidiaries	–	26,434
Imputed interest income arising from promissory notes	29,579	–
Sundry income	2	209
Dividend income received from contingent assets	11,309	–
	40,993	26,780

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

5. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

	For the six months ended 30 June 2013 (Unaudited)			
	Mining operations	Property leasing	Property management	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	138,459	–	3,304	141,763
Segment result	62	–	(249)	(187)
Unallocated revenue				40,993
Unallocated expenses				(33,766)
Profit before tax				7,040
Taxation				(846)
Profit for the period				6,194

Other segment information:

	Mining operations						
	Mining exploitation	Mining exploration	Trading of mineral resources	Property leasing	Property management	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation and amortisation	37,019	–	–	–	1	3,279	40,299
Capital expenditures	14,312	–	–	–	–	–	14,312

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

	For the six months ended 30 June 2012 (Unaudited)			
	Mining operations	Property leasing	Property management	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	191,383	–	3,232	194,615
Segment result	(58,108)	–	435	(57,673)
Unallocated revenue				26,780
Unallocated expenses				(21,065)
Loss before tax				(51,958)
Taxation				(992)
Loss for the period				(52,950)

Other segment information:

	Mining operations						
	Mining exploitation	Mining exploration	Trading of mineral resources	Property leasing	Property management	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation and amortisation	88,826	–	–	–	1	427	89,254
Capital expenditures	10,241	–	–	–	–	–	10,241

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

The following is an analysis of the Group's segment assets, liabilities and other segment information

As at 30 June 2013 (Unaudited)							
	Mining operations						
	Mining exploitation	Mining exploration	Trading of mineral resources	Property leasing	Property management	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	2,557,476	579,076	5,677	-	1,662	1,880,634	5,024,525
Segment liabilities	1,007,575	-	1,679	-	1,301	648,816	1,659,371

As at 31 December 2012 (Audited, as restated)							
	Mining operations						
	Mining exploitation	Mining exploration	Trading of mineral resources	Property leasing	Property management	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	2,570,119	-	58,515	-	496,277	1,801,244	4,926,155
Segment liabilities	999,519	-	1,679	-	1,047	650,370	1,652,615

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

6. PROFIT/(LOSS) FROM OPERATIONS

The Group's profit/(loss) from operations is arrived at after charges:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories	109,004	159,415
Depreciation of property, plant and equipment	16,774	27,240
Operating lease payment in respect of premises	857	942
Director's emoluments	746	560
Staff cost		
— Salaries and allowance	8,009	7,124
— Contributions to retirement scheme	719	911
Included in other operating expenses:		
Amortisation of prepaid lease payment	2,944	—
Amortisation of mining rights	20,581	62,014

7. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	5,410	9,057

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

8. TAXATION

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — PRC enterprise income tax provision for the period	846	992

- (i) The provision for Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the period. No provision for Hong Kong Profits Tax has been made in the interim financial statements as at Group's operations in Hong Kong incurred a tax loss for the period (30 June 2012: Nil).
- (ii) PRC income tax charge represents the PRC Enterprise Income Tax paid or payable during the period. Enterprise Income Tax in the PRC has been provided at the prevailing rate.

9. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

10. PROFIT/LOSS PER SHARE

(a) Basic profit/loss per share

The calculation of basic profit per share is based on the profit attributable to owners of the Company of approximately HK\$5,721,000 (six months ended 30 June 2012: loss attributable to owners of the Company of approximately HK\$32,265,000) for six months ended 30 June 2013 and on the weighted average number of 14,228,307,317 shares (six months ended 30 June 2012: 13,052,340,457) in issue during the period.

(b) Diluted profit per share

There were no potential dilutive shares in existence for the six months ended 30 June 2013 and 2012, and accordingly, no diluted profit per share has been presented.

11. TRADE RECEIVABLES

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Trade receivables	22,639	39,870

Trade receivables with the following aging analysis presented based on invoice date as at the end of reporting period:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
0–30 days	13,583	20,297
31–60 days	9,056	10,140
61–90 days	–	9,433
	22,639	39,870

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

The Group's credit policies for each of its principal activities are as follows:

- (i) **Sales of molybdenum concentrate**
Sales of molybdenum concentrates are largely on cash basis with no credit terms being granted to customers, except for sizable customers with good credit history, the Group will allow a credit term of no more than 30 days.
- (ii) **Trading of mineral resources**
The Group allows a credit period of 30 days from the issuance of invoices to its customers.
- (iii) **Property management fee income**
The Group allows a credit period of 30 days from the date of issuance of invoices to the property's landlord.

12. INTEREST IN ASSOCIATES

As at 30 June 2013, the Group had 26% equity interests in Jilin Province Rui Sui Kuang Ye Company Limited ("Rui Sui"), a company established in the PRC and principally engaged in exploration of iron and molybdenum mine in the PRC. During the six months ended 30 June 2013, the Group shared the loss of Rui Sui of approximately HK\$447,000.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

13. OTHER FINANCIAL ASSETS

Other financial assets represent present value of promissory notes receivables, details of which are set out below:

Ding Jin Promissory Notes

During the year ended 31 December 2011, the Group entered into a subscription agreement with Shaanxi Ding Jin Mining Company Limited (“Ding Jin”), the Issuer, pursuant to which the Group is eligible to subscribe for the promissory notes issued by Ding Jin. The principal amount of the promissory notes was HK\$500 million and carried at interest of HK\$100 million, payable on the maturity date, which is 5 years from subscription.

Rui Sui Promissory Notes

During the year ended 31 December 2012, the Group disposed of 26% equity interests in Rui Sui (see note 12 above), for an aggregate consideration of HK\$600 million, which was satisfied by a promissory notes which are carried at a total interest of HK\$36 million wholly payable on the maturity date, issued by the purchaser. The maturity date is 3 years from the issue date of the promissory notes.

Yi Tong Promissory Notes

During the year ended 31 December 2012, the Group disposed of 70% equity interests in Heilongjiang Yi Tong Mining Company Limited at a consideration of HK\$230 million, of which approximately HK\$46 million was settled by cash and approximately HK\$184 million was settled by issuance of the promissory note issued by the purchaser. The maturity date is 3 years from the issue date of the promissory notes.

ADDITIONAL INFORMATION

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2013, none of the directors or chief executives of the Company, or any of their respective associates, had any interests or short positions in any 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 (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2013, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as was known to the Directors or chief executive of the Company, the following persons had, or was deemed or taken to have, an interest or short position in the shares or underlying shares of the Company:

Name of shareholders	Capacity	Number of shares/ underlying shares held	Approximate percentage interest in the issued share capital of the Company
Qian Yong Wei ("Mr. Qian") (Note 1)	Beneficial owner	25,000,000	0.17%
	Held by controlled corporation	4,914,438,552	34.05%
		4,939,438,552	34.22%
Xu Zhe Cheng ("Ms. Xu") (Note 2)	Held by spouse	4,939,438,552	34.22%
China Wan Tai Group Limited ("China Wan Tai") (Note 3)	Held by controlled corporation	4,914,438,552	34.05%
Universal Union Limited ("Universal Union")	Beneficial owner	4,914,438,552	34.05%
Soong Kung Yuan ("Mr. Soong") (Note 4)	Beneficial owner	1,000,000,000	6.93%

ADDITIONAL INFORMATION (Cont'd)

Notes:

1. Mr. Qian personally held 25,000,000 shares in the Company, and held 95% interest in China Wan Tai. China Wan Tai held 100% interest in Universal Union. Universal Union held 4,914,438,552 shares in the Company.
2. Ms. Xu is the spouse of Mr. Qian. The interest of Mr. Qian was deemed to be Ms. Xu's interest.
3. These shares are held by Universal Union, a wholly owned subsidiary of China Wan Tai which is in turn beneficially owned by Mr. Qian and Ms. Xu as to 95% and 5% respectively.
4. Pursuant to a placing agreement entered into between the Company as issuer and Mr. Soong as placee on 31 May 2012, the Company has issued and allotted 300,000,000 new Shares to Mr. Soong. Pursuant to the convertible notes option subscription agreement entered into between the Company as an issuer and Mr. Soong as potential subscriber also on 31 May 2012, Mr. Soong subscribed for the convertible notes in the amount of HK\$252,000,000 (the "Convertible Notes") on 3 December 2012 and subsequently exercised in full of the conversion right attached to the Convertible Notes on 17 December 2012, and the Company has issued and allotted a total of 700,000,000 conversion shares to Mr. Soong accordingly.
5. All interests stated above represent long position.

Save as disclosed above, the Directors and chief executive of the Company were not aware of any persons who, as at 30 June 2013, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or, who was, directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

ADDITIONAL INFORMATION (Cont'd)

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 25 May 2011, the Company adopted the share option scheme (the "Share Option Scheme").

During the period of the six months ended 30 June 2013, no share option had been granted, exercised, lapsed or was cancelled under the Share Option Scheme. The following table discloses the details of the share options outstanding:

Category of participant	Number of share options			Outstanding as at 30.06.2013	Date of grant	Exercisable period	Exercise price HK\$
	Outstanding as at 01.01.2013	Granted during the period	Exercised during the period				
Consultant	500,000	–	–	500,000	26.07.2011	26.07.2011– 25.07.2013	0.355

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period of the six months ended 30 June 2013.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2013, the Company has applied the principles of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules and complied with all the applicable code provisions of the Code, except the following code provisions:

ADDITIONAL INFORMATION (Cont'd)

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the six months ended 30 June 2013, Mr. Gao Yuan Xing performed the roles of the Chairman and the Chief Executive Officer of the Company. In allowing the two positions to be occupied by the same person, the Company has considered that both positions require in-depth knowledge and considerable experience of the Group's business. Candidates with the requisite knowledge, experience and leadership are difficult to identify. If either of the positions is occupied by an unqualified person, the Group's performance could be gravely compromised. The Board also believes that the vesting of two roles in the same person would provide the Group with stable and consistent leadership and allows for more effective and efficient planning and implementation of long term business strategies. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

Under the code provision A.5.1 of the Code, company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. However, the Board considers that the setting up of such a nomination committee may not be necessary at the current scale of the Board and the Company. The Board is responsible for considering and approving the appointment of its members and making recommendations to shareholders on directors standing for re-election, providing sufficient biographical details of directors to enable shareholders to make an informed decision on the re-election, and where necessary, nominate and appoint directors to fill casual vacancies. The chairman may in conjunction with the other directors from time to time review the composition of the Board with particular regard to ensuring that there is an appropriate number of directors on the Board independent of management.

Under the code provision A.6.7 of the Code, independent non-executive directors should, *inter alia*, attend general meetings. Due to personal and other important engagement at the relevant time, Messrs. Mu Xiangming and Lo Wa Kei Roy were absent from the 2013 annual general meeting of the Company.

The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than the Code.

The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance.

ADDITIONAL INFORMATION (Cont'd)

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company confirmed that all Directors had fully complied with the required standard set out in the Model Code for the six month period ended 30 June 2013.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Messrs. Mu Xiangming, Cheng Chak Ho and Lo Wa Kei Roy. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting process and internal control of the Group. The audit committee has reviewed the Group's interim results for the six months ended 30 June 2013.

By order of the Board
Gao Yuan Xing
Chairman

Hong Kong, 29 August 2013