



# 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  
**2015**

# Corporate Information

## DIRECTORS

### Executive Directors

Gao Yuan Xing (*Chairman*)

Qian Yi Dong (*Deputy Chairman*)

Yang Ying Min (*Chief Executive Officer*)

Zhang Jia Kun

Li Li Juan

### 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

CITIC Ka Wah Bank Limited

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 1505-07, 15/F

Shui On Centre

6-8 Harbour Road

Wanchai

Hong Kong

## PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM08

Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

## LISTING INFORMATION

Stock Code: 433, Hong Kong

## WEBSITE

[www.northmining.com.hk](http://www.northmining.com.hk)



# Management Discussion and Analysis

## INTERIM RESULTS

For the six months ended 30 June 2015, the Group recorded a turnover of approximately HK\$200,028,000 (30 June 2014: HK\$211,451,000), representing a decrease of about 5.4% over the same period in 2014.

During the period under review, the loss recorded by the Group was about HK\$14,529,000 (30 June 2014: profit of approximately HK\$20,212,000). The Board of Directors consider that the consolidated loss of the Group is mainly attributable to some major non-cash accounting adjustments which include the provision for impairment of promissory note of HK\$29,453,000 (2014: Nil) and amortization of mining right of HK\$38,881,000 (2014: HK\$30,517,000).

Moreover, the main reason for the change from consolidated profit in last six-month period to an overall loss in current period could be isolated and attributable to the occurrence of the provision of impairment loss of promissory note.

The write down on promissory notes receivable represents the decrease in time value of money, the money of installments including principal and interests from the promissory note which would have been received on the original maturity date as compared to the day of one year from that date as stipulated in the new one-year extension agreement. Without taking into account the impairment loss on promissory notes, the Group would have made a consolidated profit of approximately HK\$14,924,000.

The business condition of selling total volume molybdenum concentrate has become worse than that of last year's but the market price of molybdenum concentrate has increased slightly as compared with that of last year.

## 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:

# Management Discussion and Analysis (Cont'd)

## Mining Operations — Exploitation and exploration

During the period under review, the volume of molybdenum concentrate produced was about 2,146 tonnes (30 June 2014: 1,541 tonnes). The sales volume of molybdenum concentrate was about 2,750 tonnes (30 June 2014: 3,348 tonnes), whereas the grade of molybdenum concentrate was approximately 42% to 45%. The average selling price of molybdenum concentrate was about HK\$66,965 per tonne. During the period under review, the mining operation contributed a revenue of approximately HK\$196,327,000 (30 June 2014: HK\$207,710,000) to the Group, of which approximately HK\$184,154,000 was contributed by sales of molybdenum concentrate (30 June 2014: HK\$207,710,000) and approximately HK\$12,173,000 was contributed by sales of sulfuric acid and iron concentrate (30 June 2014: HK\$Nil). The cost of sales was about HK\$151,127,000 (30 June 2014: HK\$163,202,000). The gross profit was amounted to about HK\$48,901,000 (30 June 2014: HK\$48,249,000). During the six months ended 30 June 2015, the Group recognised an amortisation of mining rights of approximately HK\$38,881,000 (30 June 2014: HK\$30,517,000).

## Property Management Operations

For the six months ended 30 June 2015, the turnover generated from the property management operation was approximately HK\$3,701,000, representing a decrease of approximately 1% over the corresponding period of last year of HK\$3,741,000 and the decrease was mainly due to the effect of exchange rate differences.

## Other Business

### *Other Financial Assets*

As at 30 June 2015, the Group had four promissory notes, namely Ding Jin Promissory Note, Rui Sui Promissory Note, Yi Tong Promissory Note and Bai Shan Promissory Note, details of which are set out below:

### *Ding Jin Promissory Note*

During the year ended 31 December 2011, the Group entered into a subscription agreement with Shannxi Ding Jin Mining Company Limited (“Ding Jin”), pursuant to which the Company would be eligible to subscribe for the promissory note issued by Ding Jin. The principal amount of the promissory note was HK\$500 million and carried an interest of HK\$100 million, payable on the date falling five years from the date of issuance of this promissory note.

During the period ended 30 June 2015, imputed interest income which amounted to approximately HK\$13,462,000 (2014: HK\$11,028,000) had been generated from holding such promissory note.

## Management Discussion and Analysis (Cont'd)

### *Rui Sui Promissory Note*

During the year ended 31 December 2012, the Group disposed of 26% equity interests in Rui Sui Kuang Ye Company Limited, for an aggregated consideration of HK\$600 million, which was satisfied by subscription of promissory note which are carried at a total interest of 6% wholly payable three years from the date of issuance of the promissory note. During the period under review, the promissory note has been extended one year from the date of maturity.

During the period ended 30 June 2015, imputed interest income which amounted to approximately HK\$14,728,000 (2014: HK\$14,280,000) has been generated from amortisation. A provision of impairment loss of approximately HK\$29,453,000 has been recorded for the six-month period due to delay in receiving the installments of both interest and principal as all concerned parties had agreed on a one year extension right after the original date of maturity. The impairment loss is the deficit of new present value of installments of principal and interests from its carrying amount. The present value under the longer term has been calculated using the original effective interest rate of 4.75% and it has been assumed that no future credit loss will be occurred during the extension period.

### *Yi Tong Promissory Note*

During the year ended 31 December 2012, the Group disposed of 70% equity interests of 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 by the purchaser. The maturity date is the date falling three years from the date of issuance of such promissory note.

During the period ended 30 June 2015, imputed interest income which amounted to approximately HK\$4,243,000 (2014: HK\$4,721,000) had been generated from holding such promissory note.

### *Bai Shan Promissory Note*

During the year ended 31 December 2013, the Group disposed of 25% equity interest in Rui Sui Kuang Ye Company Limited for a consideration of HK\$500 million, which was satisfied by a promissory note with a face value of HK\$500 million issued by the purchaser. The maturity date is the date falling three years from date of issuance of the promissory note.

During the period ended 30 June 2015, imputed interest income which amounted to approximately HK\$12,518,000 (2014: HK\$11,848,000) has been generated from holding such promissory note.



# Management Discussion and Analysis (Cont'd)

## PROSPECTS

In 2015 first half, the average selling price of molybdenum concentrates was approximately HK\$66,965 per tonne. The past few years downward trend of molybdenum price may come to an end. The Group will endeavor to keep abreast of the changing market condition and will fine tune its business strategies when the Directors think appropriate. Moreover, the Group is seeking more strategic opportunities to cooperate with another sizable mining companies in order to enhance its economies of scales.

## MATERIAL FUND RAISING

Pursuant to the convertible notes option ("CN Option") agreement dated on 19 July 2011 entered into between the Company and the potential subscribers, the Company was entitled to require each potential subscriber to, and the potential subscribers were also entitled to, fully or partially subscribe for the convertible notes (the "Convertible Notes") within three years after the date of grant of the CN Option. During the option period, the CN Option had been exercised by the potential subscribers or their transferees as holder of the CN Option (the "Holder") as follows:

- On 17 June 2014, a Holder exercised the CN Option to partially subscribe for the Convertible Notes in the amount of HK\$43,500,000. The net proceeds raised from the issue of such Convertible Notes amounted to approximately HK\$43,500,000 is intended to be used for general working capital purpose;
- On 3 July 2014, a Holder exercised the CN Option to partially subscribe for the Convertible Notes in the amount of HK\$43,500,000. The net proceeds raised from the issue of such Convertible Notes amounted to approximately HK\$43,500,000 is intended to be used for funding the proposed acquisition of 100% equity interests in China Potassium Shares Company Limited;
- On 18 July 2014, a Holder exercised the CN Option to partially subscribe for the Convertible Notes in the amount of HK\$542,300,000. The net proceeds raised from the issue of such Convertible Notes amounted to approximately HK\$542,300,000 is intended to be used for funding the proposed acquisition of 100% equity interests in China Potassium Shares Company Limited.

# Management Discussion and Analysis (Cont'd)

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and proceeds from suitable source of funding. During the period under review, the Group recorded a net cash outflow of HK\$63,888,000 (2014: inflow of approximately HK\$24,793,000). The outflow was mainly due to the increase of the production volume of molybdenum concentrate and decrease sales volume while comprised with the same period last year and thus result in such outflow from invention, and the increase in trade and other receivables declined the Group's operating cash cycle. The Group also had a net outflow from financing activities was contributed by repayment of bank loan. The Directors believe that the overall effect on repaying long term bank loan would enhance the Group's financial position and thus reflected a better financial ratio for the period. The current ratio was approximately 2.86 as contrasted by 1.00 as at 31 December 2014. As at 30 June 2015, the debt to equity ratio was approximately 0.27 as contrasted by 0.27 as at 31 December 2014. The Board considered that the Group still had a healthy financial position and had enough resources to satisfy its working capital requirement.

## CAPITAL COMMITMENT

As at 30 June 2015, the Group did not have any capital commitment.

## INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2015 (2014: Nil).

## CAPITAL STRUCTURE

The capital structure of the Group as at 30 June 2015 has been summarized below:

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
Current assets	<b>1,723,600</b>	1,754,998
Current liabilities	<b>601,416</b>	597,930
Shareholders' equity	<b>3,866,959</b>	3,915,705

# Management Discussion and Analysis (Cont'd)

## TREASURY POLICIES

During the six months ended 30 June 2015, 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 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 2015, the Group did not employ any financial instrument for hedging purpose and did not engage in foreign currency speculative activities.

## BORROWINGS AND BANKING FACILITIES

As at 30 June 2015, the Group had current portion of bank borrowings of approximately HK\$25,464,000 (31 December 2014: HK\$95,580,000), the remaining bank borrowings were due over one year.

## HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2015, the Group employed 615 (30 June 2014: 744) 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 end 30 June 2015 were approximately HK\$10,399,000.



# Unaudited Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Revenue</b>	3	<b>200,028</b>	211,451
Cost of sales		<b>(151,127)</b>	(163,202)
<b>Gross profit</b>		<b>48,901</b>	48,249
Other income and gains	4	<b>45,207</b>	42,272
General and administrative expenses		<b>(36,338)</b>	(34,490)
Other operating expenses		<b>(71,370)</b>	(33,540)
<b>(Loss)/Profit from operations</b>	6	<b>(13,600)</b>	22,491
Finance costs	7	<b>(8,695)</b>	(7,327)
<b>(Loss)/Profit before taxation</b>		<b>(22,295)</b>	15,164
Taxation	8	<b>7,766</b>	5,048
<b>(Loss)/Profit for the period</b>		<b>(14,529)</b>	20,212
<b>(Loss)/Profit attributable to:</b>			
Owners of the Company		<b>(8,168)</b>	18,790
Non-controlling interests		<b>(6,361)</b>	1,422
		<b>(14,529)</b>	20,212
<b>(Loss)/Earnings per share</b>			
— Basic, HK cents	10	<b>(0.05)</b>	0.14
— Diluted, HK cents		<b>(0.05)</b>	0.14

# Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>(Loss)/Profit for the period</b>	<b>(14,529)</b>	20,212
<b>Other comprehensive income (Net of tax effect):</b>		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising from translation of foreign subsidiaries	<b>(41,543)</b>	(6,024)
<b>Other comprehensive loss for the period</b>	<b>(41,543)</b>	(6,024)
<b>Total comprehensive (loss)/income for the period</b>	<b>(56,072)</b>	14,188
<b>Attributable to:</b>		
Owners of the Company	<b>(48,746)</b>	12,766
Non-controlling interests	<b>(7,326)</b>	1,422
	<b>(56,072)</b>	14,188

# Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
<b>ASSETS</b>			
<i>Non-Current Assets</i>			
Property, plant and equipment		<b>545,989</b>	572,858
Prepaid lease payments		<b>69,277</b>	71,796
Mining rights		<b>1,748,479</b>	1,774,175
Other financial assets	11	<b>1,018,965</b>	992,985
Loan receivable		<b>203,718</b>	202,199
		<b>3,586,428</b>	3,614,013
<i>Current Assets</i>			
Other financial assets	11	<b>794,895</b>	805,376
Inventories		<b>231,801</b>	173,081
Trade and bills receivables	12	<b>9,664</b>	8,688
Prepayments, deposits and other receivables		<b>676,079</b>	658,011
Tax recoverable		<b>8,153</b>	7,604
Cash and cash equivalents		<b>3,008</b>	102,238
		<b>1,723,600</b>	1,754,998
<b>Total Assets</b>		<b>5,310,028</b>	5,369,011
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>265,641</b>	265,641
Reserves		<b>3,601,318</b>	3,650,064
Equity attributable to owners of the Company		<b>3,866,959</b>	3,915,705
Non-controlling interests		<b>400,943</b>	408,269
<b>Total Equity</b>		<b>4,267,902</b>	4,323,974



# Unaudited Condensed Consolidated Statement of Financial Position (Cont'd)

As at 30 June 2015

	<i>Notes</i>	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
<b>LIABILITIES</b>			
<i>Non-Current Liabilities</i>			
Deferred tax liabilities		<b>440,710</b>	447,107
<i>Current Liabilities</i>			
Trade payables	13	<b>68,205</b>	63,654
Other payables and accruals		<b>257,724</b>	182,221
Bank loans and other borrowings		<b>136,198</b>	171,248
Amounts due to related parties		<b>36,431</b>	54,266
Provision for environmental and resources tax		<b>101,859</b>	101,099
Tax payables		<b>999</b>	25,442
		<b>601,416</b>	597,930
<b>Total Liabilities</b>		<b>1,042,126</b>	1,045,037
<b>Total Equity and Liabilities</b>		<b>5,310,028</b>	5,369,011
<b>Net Current Assets</b>		<b>1,122,184</b>	1,157,068
<b>Total Assets less Current Liabilities</b>		<b>4,708,612</b>	4,771,081
<b>Net Assets</b>		<b>4,267,902</b>	4,323,974

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to owners of the Company							Attributable to Non-controlling interests HK\$'000	Total equity HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Share contributed surplus HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings/ (Accumulated loss) HK\$'000			Sub-total HK\$'000
<b>At 1 January 2015</b>	<b>265,641</b>	<b>3,283,205</b>	<b>31,350</b>	<b>(894)</b>	<b>12,677</b>	<b>300,887</b>	<b>22,839</b>	<b>3,915,705</b>	<b>408,269</b>	<b>4,323,974</b>
Loss and total comprehensive loss for the period	-	-	-	-	-	-	(8,168)	(8,168)	(6,361)	(14,529)
Exchange difference arising from translation of foreign subsidiaries	-	-	-	-	-	(40,578)	-	(40,578)	(965)	(41,543)
<b>At 30 June 2015</b>	<b>265,641</b>	<b>3,283,205</b>	<b>31,350</b>	<b>(894)</b>	<b>12,677</b>	<b>260,309</b>	<b>14,671</b>	<b>3,866,959</b>	<b>400,943</b>	<b>4,267,902</b>
At 1 January 2014	230,921	2,688,625	31,350	(894)	12,677	297,964	(117,572)	3,143,071	461,269	3,604,340
Profit and total comprehensive income for the period	-	-	-	-	-	-	18,790	18,790	1,422	20,212
Exchange difference arising from translation of foreign subsidiaries	-	-	-	-	-	(6,024)	-	(6,024)	-	(6,024)
Exercise of convertible note option	2,400	41,100	-	-	-	-	-	43,500	-	43,500
At 30 June 2014	233,321	2,729,725	31,350	(894)	12,677	291,940	(98,782)	3,199,337	462,691	3,662,028

# Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	<b>(19,843)</b>	236,345
Net cash used in investing activities	<b>(300)</b>	(119,134)
Net cash used in financing activities	<b>(43,745)</b>	(92,418)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(63,888)</b>	24,793
Cash and cash equivalents at 1 January	<b>102,238</b>	44,907
Effect of foreign exchange rate changes, net	<b>(35,342)</b>	(10,209)
<b>Cash and cash equivalents at 30 June</b>	<b>3,008</b>	59,491
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>3,008</b>	59,491



# 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 Rooms 1505-07, 15/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Company are investment holding and property investment. The principal activities of the Company and its subsidiaries (the "Group") are mining operation and property management operation.

In the opinion of the directors of the Company (the "Directors"), the Company's ultimate and immediate 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 2014 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2015.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Cont'd)

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

## 3. REVENUE

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Sales of molybdenum concentrate	184,154	207,710
Trading of minerals resources	12,173	–
Property management fee income	3,701	3,741
	<b>200,028</b>	211,451

## 4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Bank interest income	–	22
Imputed interest income arising from promissory notes	44,951	41,978
Sundry income	256	272
	<b>45,207</b>	42,272

# 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 2015 (Unaudited)			
	Mining operations	Property leasing	Property management	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	196,327	–	3,701	200,028
Segment results	(26,015)	–	(7)	(26,022)
Unallocated revenue				44,951
Unallocated expenses				(41,224)
Loss before taxation				(22,295)
Taxation				7,766
Loss for the period				(14,529)

Other segment information:

	Mining operation						Others	Total
	Property leasing	Property management	Mining exploitation	Mining exploration	Trading of mineral resources			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Depreciation and amortisation	–	–	50,920	–	–	–	50,920	
Capital expenditures	–	–	271	–	–	–	271	



# Notes to the Unaudited Condensed Consolidated Financial Statements (Cont'd)

	For the six months ended 30 June 2014 (Unaudited)			
	Mining operations	Property leasing	Property management	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	207,710	–	3,741	211,451
Segment results	4,063	–	(7)	4,056
Unallocated revenue				42,272
Unallocated expenses				(31,164)
Profit before taxation				15,164
Taxation				5,048
Profit for the period				20,212

Other segment information:

	Mining operation						Others	Total
	Property leasing	Property management	Mining exploitation	Mining exploration	Trading of mineral resources			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
Depreciation and amortisation	–	–	47,390	–	–	–	47,390	
Capital expenditures	–	–	2,769	–	–	–	2,769	

# 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 2015 (Unaudited)							Total HK\$'000
	Mining operation					Trading of mineral resources HK\$'000	Others HK\$'000	
	Property leasing HK\$'000	Property management HK\$'000	Mining exploitation HK\$'000	Mining exploration HK\$'000				
<b>Segment assets</b>	-	904	2,595,436	-	406	2,713,282	5,310,028	
<b>Segment liabilities</b>	-	1,326	1,039,080	-	-	1,720	1,042,126	

	As at 31 December 2014 (Audited)							Total HK\$'000
	Mining operation					Trading of mineral resources HK\$'000	Others HK\$'000	
	Property leasing HK\$'000	Property management HK\$'000	Mining exploitation HK\$'000	Mining exploration HK\$'000				
<b>Segment assets</b>	-	734	2,617,335	-	45,926	2,705,016	5,369,011	
<b>Segment liabilities</b>	-	1,146	1,041,766	-	82	2,043	1,045,037	

# Notes to the Unaudited Condensed Consolidated Financial Statements (Cont'd)

## 6. (LOSS)/PROFIT FROM OPERATIONS

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

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Cost of inventories	151,127	163,202
Depreciation of property, plant and equipment	9,003	16,873
Operating lease payments in respect of offices premises	2,653	1,323
Director's emoluments	571	364
Staff costs (including directors' remuneration)		
— Wages and salaries	9,628	5,918
— Retirement benefits contributions	771	527
Amortisation of prepaid lease payment	3,036	3,023
Amortisation of mining rights	38,881	30,517
Impairment of promissory note	29,453	—

## 7. FINANCE COSTS

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Interest on bank loans and other borrowings wholly repayable within five years	8,695	7,327



# Notes to the Unaudited Condensed Consolidated Financial Statements (Cont'd)

## 8. TAXATION

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC corporate income tax	1,954	2,581

- (i) The provision for Hong Kong Profits Tax is calculated at 16.5% (2014: 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 2014: 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.

Deferred tax liabilities amounted to HK\$9,720,000 (2014: HK\$7,629,000) has been unwounded as a result of amortisation of mining right for the period ended 30 June 2015.

## 9. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

## 10. (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately HK\$8,168,000 for six months ended 30 June 2015 (six months ended 30 June 2014: profit attributable to owners of the Company of approximately HK\$18,790,000) and on the weighted average number of 15,223,246,846 shares in issue during the period (six months ended 30 June 2014: 14,443,450,042).

### (b) Diluted (loss)/earnings per share

There were no potential dilutive shares in existence for the six months ended 30 June 2015 and 2014, and accordingly, diluted (loss)/earnings per share equal to basic (loss)/earnings per share.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Cont'd)

## 11. OTHER FINANCIAL ASSETS

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

### **Ding Jin Promissory Note**

During the period ended 31 December 2011, the Group has entered into a subscription agreement with Shannxi Ding Jin Mining Company Limited ("Ding Jin"), pursuant to which the Company is eligible to subscribe for the promissory note issued by Ding Jin. The principal amount of the promissory note was HK\$500 million and carried at a total of 20% interest which is payable 5 years from the date of issuance of this promissory note.

During the period ended 30 June 2015, imputed interest income which amounted to approximately HK\$13,462,000 (2014: HK\$11,028,000) has been generated from holding such promissory note.

### **Rui Sui Promissory Note**

During the year ended 31 December 2012, the Group disposed of 26% equity interests in Rui Sui Kuang Ye Company Limited, for an aggregated consideration of HK\$600 million, which was satisfied by subscription of promissory note which are carried at a total interest of 6% wholly payable three years from the date of issuance of the promissory note. During the period under review, the promissory note has been extended one year from the date of maturity.

During the period ended 30 June 2015, imputed interest income which amounted to approximately HK\$14,728,000 (2014: HK\$14,280,000) has been generated from holding such promissory note. Since the promissory note had been extended one year from the date of maturity, the present value of the extended promissory note had been revalued which difference of the amount approximately HK\$29,453,000 was impaired during the period.

### **Yi Tong Promissory Note**

During the year ended 31 December 2012, the Group disposed 70% equity of 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 three years from the date of issuance of such promissory note.

During the period ended 30 June 2015, imputed interest income which amounted to approximately HK\$4,243,000 (2014: HK\$4,721,000) has been generated from holding such promissory note.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Cont'd)

## Bai Shan Promissory Note

During the year ended 31 December 2013, the Group has disposed 25% equity interest in Rui Sui Kuang Ye Company Limited in return for a promissory note receivable with a face value of HK\$500 million. The maturity date is three years from date of issuance of the promissory note.

During the period ended 30 June 2015, imputed interest income which amounted to approximately HK\$12,518,000 (2014: HK\$11,848,000) has been generated from holding such promissory note.

## 12. TRADE AND BILLS RECEIVABLES

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Unaudited)
Trade and bills receivables	<b>9,664</b>	8,688

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

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Unaudited)
0-30 days	<b>1,376</b>	4,343
31-60 days	<b>2,392</b>	1,264
61-90 days	<b>612</b>	1,137
91-180 days	<b>2,752</b>	127
Over 180 days but within one year	<b>2,532</b>	1,817
	<b>9,664</b>	8,688



# 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.

## 13. TRADE PAYABLES

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Unaudited)
0-30 days	<b>14,677</b>	17,979
31-60 days	<b>8,593</b>	3,141
61-90 days	<b>281</b>	4,487
91-180 days	<b>941</b>	18,827
Over 180 days but within one year	<b>43,713</b>	19,220
	<b>68,205</b>	63,654

The directors consider that the carrying amounts of trade payables approximate to their fair values at the end of reporting period.

## Additional Information

### DIRECTORS' INTERESTS IN SHARES

As at 30 June 2015, 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 or The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2015, 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 voting share of the Company
Qian Yong Wei ("Mr. Qian") (Note 1)	Beneficial owner Held by controlled corporation	11,500,000	0.07%
		4,914,438,552	29.60%
		4,925,938,552	29.67%
Xu Zhe Cheng ("Ms. Xu") (Note 2)	Held by spouse	4,925,938,552	29.67%
China Wan Tai Group Limited ("China Wan Tai") (Note 3)	Held by controlled corporation	4,914,438,552	29.60%
Universal Union Limited ("Universal Union")	Beneficial owner	4,914,438,552	29.60%
Li Sheng Li ("Mr. Li") (Note 4)	Held jointly with another person	2,740,000,000	16.50%
Ma Wei Min ("Ms. Ma") (Note 4)	Held jointly with another person	2,740,000,000	16.50%
Huarong (HK) International Holding Limited ("Huarong") (Note 5)	Held by controlled corporation	1,988,000,000	12.03%
Gu Jie ("Mr. Gu") (Note 5)	Beneficial owner	1,870,000,000	11.26%

## Additional Information (Cont'd)

### Notes:

1. Mr. Qian personally held 11,500,000 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. On 19 June 2014, Mr. Li and Ms. Ma entered an acquisition agreement with the Company for a Target Company. Pursuant to the acquisition agreement and subsequent supplemental agreements, the Company will issue 2,740,000,000 consideration shares in the Company to Mr. Li and Ms. Ma on the completion date of the acquisition.
5. Pursuant to the convertible notes option ("CN Option") subscription agreement entered into between the Company as issuer and a total of seven potential subscribers of the convertible notes (the "Convertible Notes") dated 19 July 2011, the Company received a CN Option transfer form from four of the potential subscribers on 17 July 2014 in which the potential subscribers have transferred the CN options to Mr. Gu Jie. Mr. Gu subscribed for the Convertible Notes in the amount of HK\$542,300,000 on 18 July 2014 and then subsequently exercised in full of the conversion right attached to the Convertible Notes, and the Company has issued and allotted a total of 1,870,000,000 conversion shares to Mr. Gu on 29 August 2014 accordingly. Mr. Gu subsequently charged these shares to Huarong on 11 December 2014.
6. 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 2015, 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"). Total number of shares available for issue are 1,300,261,670, representing approximately 10% of the issued share capital of the Company at the date of AGM held on 25 May 2011.

On 26 July 2011, the Company granted 500,000 share options to a consultant of the Company with 3 years of exercisable period from 26 July 2011 to 25 July 2013. Upon the expiry of exercise period, no share option was exercised, all outstanding share options granted under the Share Option Scheme had been lapsed accordingly.

During the period of the six months ended 30 June 2015, no share option had been granted, exercised, lapsed, or was cancelled under the Share Option Scheme.

As at 30 June 2015, total number of share available for issue under the Share Option Scheme was 1,299,761,670, representing 7.83% of the issued share capital of the Company.

### **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 2015.

### **CORPORATE GOVERNANCE CODE**

Throughout the six months ended 30 June 2015, the Company had 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:

1. 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.

## Additional Information (Cont'd)

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 reelection, 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 Company has set out a board diversity policy (the "Policy") for achieving diversity on board of directors of the Company. The Policy provide a sustainable and balanced development in Company's strategic objectives. The Board review the Policy annually and ensure the effectiveness of the Policy.

2. 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, Mr. Mu Xiangming and Dr. Cheng Chak Ho were absent from the 2015 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.

### **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 2015.

## **Additional Information** (Cont'd)

### **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 2015.

On behalf of the Board  
**Gao Yuan Xing**  
*Chairman of the Board*

Hong Kong, 27 August 2015