



**NAN NAN RESOURCES  
ENTERPRISE LIMITED**  
**南南資源實業有限公司**

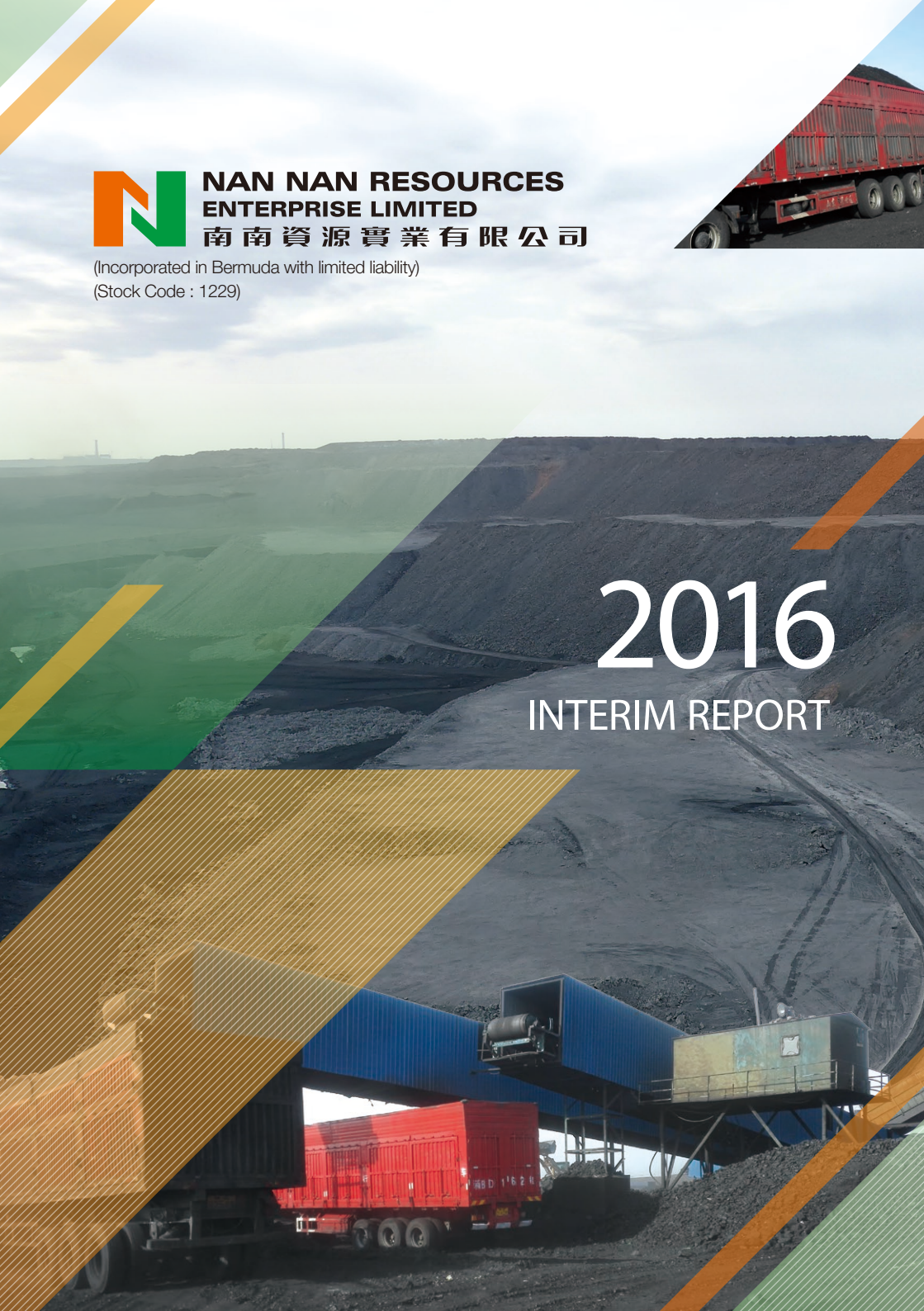
(Incorporated in Bermuda with limited liability)

(Stock Code : 1229)



# 2016

## INTERIM REPORT



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*This interim report is prepared in English and Chinese. In case of inconsistency, please refer to the English version as it shall prevail.*

## CORPORATE INFORMATION

### Board of Directors

#### *Executive Directors*

Lo Fong Hung

(Chairman & Managing Director)

Wang Xiangfei

Kwan Man Fai

#### *Independent Non-executive Directors*

Lam Ka Wai, Graham

Wong Man Hin, Raymond

Chan Yiu Fai, Youdey

### Audit Committee

Lam Ka Wai, Graham (Chairman)

Wong Man Hin, Raymond

Chan Yiu Fai, Youdey

### Remuneration Committee

Wong Man Hin, Raymond (Chairman)

Kwan Man Fai

Lam Ka Wai, Graham

Chan Yiu Fai, Youdey

### Nomination Committee

Lo Fong Hung (Chairman)

Kwan Man Fai

Lam Ka Wai, Graham

Wong Man Hin, Raymond

Chan Yiu Fai, Youdey

### Company Secretary

Li Chun Fung

### Auditor

Crowe Horwath (HK) CPA Limited

9/F., Leighton Centre

77 Leighton Road

Causeway Bay, Hong Kong

### Legal Adviser

Conyers Dill and Pearman

2901, One Exchange Square

8 Connaught Place

Central, Hong Kong

### Principal Bankers

China CITIC Bank International Limited  
Industrial and Commercial Bank of China  
(Asia) Limited

### Registered Office

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

### Head Office and Principal Place of Business

8/F., Tower 2

Admiralty Centre

18 Harcourt Road

Admiralty, Hong Kong

### Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road

Pembroke HM08, Bermuda

### Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited

Suites 3301–04, 33/F

Two Chinachem Exchange Square

338 King's Road

North Point, Hong Kong

### Hong Kong Stock Exchange Stock Code

1229

### Website

<http://www.nannanlisted.com>

# INDEPENDENT AUDITOR'S REVIEW REPORT



國富浩華 (香港) 會計師事務所有限公司  
**Crowe Horwath (HK) CPA Limited**  
Member Crowe Horwath International

香港銅鑼灣禮頓道77號禮頓中心9樓  
9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong

## REVIEW REPORT TO THE BOARD OF DIRECTORS OF NAN NAN RESOURCES ENTERPRISE LIMITED

*(Incorporated in Bermuda with limited liability)*

### Introduction

We have reviewed the interim financial information set out on pages 4 to 23 which comprises the condensed consolidated statement of financial position of Nan Nan Resources Enterprise Limited (the "Company") and its subsidiaries (together the "Group") as of 30 September 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 ("HKAS 34"), Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information 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 HKICPA. A review of the interim financial information 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 interim financial information as at 30 September 2016 is not prepared, in all material respects, in accordance with HKAS 34, interim financial reporting.

### **Crowe Horwath (HK) CPA Limited**

*Certified Public Accountants*  
Hong Kong, 22 November 2016

### **Betty P.C. Tse**

Practising Certificate Number P03024

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

For the six months ended 30 September 2016

	Notes	Six months ended 30 September	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	3	25,772	15,729
Cost of sales		(17,266)	(11,810)
Gross profit		8,506	3,919
Other revenue		2,961	7,003
Selling and distribution expenses		(303)	(343)
Administrative and operating expenses		(16,418)	(13,276)
Finance costs		(6)	(191)
Change in fair value of convertible bond	11	34,186	(18,831)
Profit/(loss) before tax		28,926	(21,719)
Income tax expense	4	(3,039)	(1,447)
<b>Profit/(loss) for the period</b>	5	<b>25,887</b>	<b>(23,166)</b>
<b>Other comprehensive loss</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of functional currency to presentation currency		(2,788)	(4,937)
Other comprehensive loss for the period (net of nil tax)		(2,788)	(4,937)
<b>Total comprehensive profit/(loss) for the period</b>		<b>23,099</b>	<b>(28,103)</b>
<b>Profit/(loss) for the period attributable to:</b>			
– Owners of the Company		25,887	(23,166)
<b>Total comprehensive profit/(loss) for the period attributable to:</b>			
– Owners of the Company		23,099	(28,103)
Earnings/(loss) per share (expressed in Hong Kong cents)			
– Basic	7	3.38	(3.03)
– Diluted	7	0.10	(3.03)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Notes	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	8	12,345	15,048
Intangible assets		39,917	43,176
Goodwill		—	—
Security deposit		4,398	4,546
		<b>56,660</b>	<b>62,770</b>
<b>Current assets</b>			
Inventories		54,640	47,403
Trade and other receivables	9	6,338	2,425
Cash and cash equivalents		330,185	343,587
		<b>391,163</b>	<b>393,415</b>
<b>Current liabilities</b>			
Convertible bond designated as financial liabilities at fair value through profit or loss ("FVTPL")	11	283,464	317,650
Trade and other payables	10	54,546	52,668
Tax payable		3,474	3,617
		<b>(341,484)</b>	<b>(373,935)</b>
<b>Net current assets</b>		<b>49,679</b>	<b>19,480</b>
<b>Total assets less current liabilities</b>		<b>106,339</b>	<b>82,250</b>
<b>Capital and reserves</b>			
Share capital	13	76,537	76,537
Reserves		19,449	(3,650)
<b>Equity attributable to owners of the Company</b>		<b>95,986</b>	<b>72,887</b>
<b>Non-current liabilities</b>			
Provision for close down, restoration and environmental costs		2,718	2,808
Deferred tax liabilities		7,635	6,555
		<b>10,353</b>	<b>9,363</b>
		<b>106,339</b>	<b>82,250</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000 (Note i)	Capital reserve HK\$'000 (Note ii)	Statutory reserves HK\$'000 (Note iii)	Exchange translation reserve HK\$'000 (Note iv)	Special reserve HK\$'000 (Note v)	Accumulated losses HK\$'000	Total HK\$'000
<b>At 1 April 2016 (audited)</b>	<b>76,537</b>	<b>191,534</b>	<b>14,882</b>	<b>14,730</b>	<b>12,226</b>	<b>27,143</b>	<b>(264,165)</b>	<b>72,887</b>
Profit for the period	-	-	-	-	-	-	25,887	25,887
Other comprehensive loss for the period	-	-	-	-	(2,788)	-	-	(2,788)
Total comprehensive (loss)/profit for the period	-	-	-	-	(2,788)	-	25,887	23,099
Appropriation of maintenance and production funds	-	-	-	6,122	-	-	(6,122)	-
Utilisation of maintenance and production funds	-	-	-	(6,122)	-	-	6,122	-
<b>At 30 September 2016 (unaudited)</b>	<b>76,537</b>	<b>191,534</b>	<b>14,882</b>	<b>14,730</b>	<b>9,438</b>	<b>27,143</b>	<b>(238,278)</b>	<b>95,986</b>
<b>At 1 April 2015 (audited)</b>	<b>76,537</b>	<b>191,534</b>	<b>14,882</b>	<b>12,266</b>	<b>18,542</b>	<b>27,143</b>	<b>(182,093)</b>	<b>158,811</b>
Loss for the period	-	-	-	-	-	-	(23,166)	(23,166)
Other comprehensive loss for the period	-	-	-	-	(4,937)	-	-	(4,937)
Total comprehensive loss for the period	-	-	-	-	(4,937)	-	(23,166)	(28,103)
Appropriation of maintenance and production funds	-	-	-	15,387	-	-	(15,387)	-
Utilisation of maintenance and production funds	-	-	-	(15,309)	-	-	15,309	-
<b>At 30 September 2015 (unaudited)</b>	<b>76,537</b>	<b>191,534</b>	<b>14,882</b>	<b>12,344</b>	<b>13,605</b>	<b>27,143</b>	<b>(205,337)</b>	<b>130,708</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

For the six months ended 30 September 2016

Notes:

### i) Share premium

The application of share premium is governed by Section 40 of the Bermuda Companies Act 1981.

### ii) Capital reserve

Capital reserve arose from the acquisition of the additional equity interest of subsidiaries in prior years. It represents the difference between the carrying amount of the net assets of the subsidiaries attributable to the additional interest at the dates of acquisition and the fair value of consideration paid by the Group.

### iii) Statutory reserves

#### *Statutory surplus reserve*

In accordance with the People's Republic of China (the "PRC") regulations, all of the Group's subsidiaries in the PRC are required to transfer part of their profit after tax to the statutory surplus reserve, which are non-distributable, before profit distributions are made. The amounts of the transfers are subject to the approval of the boards of directors of these companies in accordance with their articles of association.

#### *Specific reserve for maintenance and production funds*

Pursuant to the relevant PRC regulations, the Group is required to transfer maintenance and production funds at fixed rates based on relevant bases to a specific reserve account. The maintenance and production funds can be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve account to retained earnings.

### iv) Exchange translation reserve

Exchange translation reserve comprises all foreign exchange differences arising from the translation of functional currency to presentation currency. The reserve is dealt with in accordance with the accounting policy.

### v) Special reserve

The amount in special reserve represents the difference between the consideration paid for acquiring a further 49% equity interest in Star Fortune International Investment Company Limited ("Star Fortune") and the decrease in the carrying amount of the non-controlling interests of Star Fortune.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	<b>Six months ended 30 September</b>	
	<b>2016 HK\$'000 (unaudited)</b>	<b>2015 HK\$'000 (unaudited)</b>
Operating activities		
Cash (used in)/generated from operations	(1,262)	26,781
Income tax paid	(1,759)	(5,092)
Net cash (used in)/generated from operating activities	(3,021)	21,689
Investing activities		
Additions of property, plant and equipment	(19)	(591)
Interest received	1,148	2,078
Net cash generated from investing activities	1,129	1,487
Net (decrease)/increase in cash and cash equivalents	(1,892)	23,176
Cash and cash equivalents at 1 April	343,587	334,151
Effect of foreign exchange rate changes	(11,510)	(12,255)
Cash and cash equivalents at 30 September, represented by bank balances and cash	330,185	345,072

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2016

## 1. General Information and Basis of Preparation

Nan Nan Resources Enterprise Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). In the opinion of the directors, the Group’s parent company is Ascent Goal Investments Limited (“Ascent Goal”), a company incorporated in the British Virgin Islands with limited liability and its ultimate holding company is New Bright International Development Limited (“New Bright”), a company incorporated in Hong Kong with limited liability. Its ultimate controlling party is Ms. Fung Yuen Kwan, Veronica.

The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is 8/F., Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong. The functional currency of the Company is Renminbi (“RMB”). The condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”) for convenience of the shareholders as the Company is listed in Hong Kong.

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in mining and selling of coal.

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Preparation of the condensed consolidated financial information requires the directors of the Company to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing these condensed consolidated financial information, significant judgements made by the directors of the Company in applying the Group’s accounting policies and the key sources of estimation uncertainty are the same as those that applied in the Group’s annual consolidated financial statements for the year ended 31 March 2016.

The condensed consolidated interim financial information is unaudited, but has been reviewed by the Company’s audit committee and the Company’s external auditor 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 HKICPA.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 September 2016

## 2. Principal Accounting Policies

The condensed consolidated interim financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 September 2016 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2016.

In the current interim period, the Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

- *Annual Improvements to HKFRSs 2012 – 2014 Cycle*
- *Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative*

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

## 3. Revenue and Segment Information

The Group has only one single operating segment being the mining and selling of coal in the People's Republic of China ("PRC"). Geographical segmental information is therefore not presented.

## 4. Income Tax Expense

The major components of income tax expense in the condensed consolidated statement of profit or loss and other comprehensive income are:

	<b>Six months ended 30 September</b>	
	<b>2016 HK\$'000 (unaudited)</b>	<b>2015 HK\$'000 (unaudited)</b>
Tax in other jurisdictions		
– current	<b>1,734</b>	1,528
Deferred tax	<b>1,305</b>	(81)
Income tax expense	<b>3,039</b>	1,447

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 September 2016

### 4. Income Tax Expense *(Continued)*

Hong Kong Profits Tax has not been provided for in the condensed consolidated interim financial information as there was no estimated assessable profits being derived from Hong Kong for both periods ended 30 September 2016 and 30 September 2015. Where there is Hong Kong assessable profits, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

The Company is incorporated in Bermuda and is exempted from income tax in Bermuda. The Company's subsidiary established in the British Virgin Islands is exempted from income tax in the British Virgin Islands.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods ended 30 September 2016 and 30 September 2015.

### 5. Profit/(loss) for the Period

Profit/(loss) for the period has been arrived at after charging:

	<b>Six months ended 30 September</b>	
	<b>2016 HK\$'000 (unaudited)</b>	<b>2015 HK\$'000 (unaudited)</b>
Amortisation of intangible assets	1,878	4,719
Less: Amounts capitalised in inventories	(582)	(3,590)
Amounts included in cost of sales	1,296	1,129
Amount of inventories recognised as cost of sales	17,266	11,810
Depreciation of property, plant and equipment	2,154	2,516
Staff costs (excluding directors' remuneration)		
– Basic salaries and allowances	4,167	4,806
– Contributions to defined contribution retirement plan	517	595

### 6. Interim Dividend

No dividends were paid, declared or proposed during the six months ended 30 September 2016. The directors of the Company do not recommend the payment of an interim dividend (six months ended 30 September 2015: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2016

### 7. Earnings/(Loss) Per Share

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

The calculation of the basic earnings/(loss) per share attributable to the owners of the Company for the period is based on the following data:

	<b>Six months ended 30 September</b>	
	<b>2016 HK\$'000 (unaudited)</b>	<b>2015 HK\$'000 (unaudited)</b>
<b>Profit/(loss)</b>		
Profit/(loss) for the purpose of basic earnings/(loss) per share		
Profit/(loss) for the period attributable to owners of the Company	<b>25,887</b>	(23,166)
<b>Weighted average number of ordinary shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<b>765,373,584</b>	765,373,584

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

The calculation of the diluted earnings/(loss) per share attributable to the owners of the Company for the period is based on the following data:

i) Profit/(loss) for the period attributable to owners of the Company (diluted)

	<b>Six months ended 30 September</b>	
	<b>2016 HK\$'000 (unaudited)</b>	<b>2015 HK\$'000 (unaudited)</b>
Profit/(loss) for the period attributable to owners	<b>25,887</b>	(23,166)
Fair value gain of convertible bond*	<b>(34,186)</b>	–
Exchange loss on convertible bond*	<b>10,024</b>	–
Profit/(loss) attributable to owners (diluted)	<b>1,725</b>	(23,166)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2016

### 7. Earnings/(Loss) Per Share (Continued)

b) Diluted earning/(loss) per share (Continued)

ii) Weighted average number of ordinary shares (diluted)

	2016 (unaudited)	2015 (unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	765,373,584	765,373,584
Effect of conversion of convertible bond*	1,000,000,000	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	1,765,373,584	765,373,584

\* The calculation of diluted loss per share for the period ended 30 September 2015 did not assume the conversion of convertible bond since its conversion would result in a decrease in loss per share. The basic and diluted loss per share are the same.

### 8. Property, Plant and Equipment

#### Acquisitions and disposals

During the six months ended 30 September 2016, the Group acquired property, plant and equipment with a cost of HK\$19,000 (six months ended 30 September 2015: HK\$851,000).

During the six months ended 30 September 2016, the Group disposed property, plant and equipment with a total carrying amount of HK\$1,000 resulted in approximately a loss of HK\$1,000 (six months ended 30 September 2015: disposal of HK\$86,000 with no profit or loss).

### 9. Trade and Other Receivables

The Group's coal sales to customers are largely on cash basis or with payment in advance. For certain well-established customers, the Group allows an average credit period of 90 days.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 September 2016

### 9. Trade and Other Receivables *(Continued)*

The following is an analysis of trade and bills receivables by age, presented based on invoice date (net of allowance for doubtful debts):

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Within 90 days	4,363	–
91 days to 180 days	135	–
181 days to 365 days	–	–
Over 1 year	–	–
Trade and bills receivables	4,498	–
Prepayments, deposits and other receivables	1,840	2,385
Value-added tax and non-income tax receivables	–	40
<b>Total trade and other receivables</b>	<b>6,338</b>	<b>2,425</b>

### 10. Trade and Other Payables

The following is an analysis of trade payables by age, presented based on invoice date:

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Within 90 days	8,430	6,237
91-180 days	3,254	1,617
181-365 days	–	1,595
Over 1 year	28	28
Trade payables	11,712	9,477
Receipt in advance	311	1,474
Value-added tax and non-income tax payable	833	–
Government levies payable		
– Economic development fees in coal resources areas	27,535	28,458
– Others	4,060	4,628
Accrued expenses	1,958	1,547
Other payables	8,137	7,084
<b>Total trade and other payables</b>	<b>54,546</b>	<b>52,668</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 September 2016

### 10. Trade and Other Payables *(Continued)*

The average credit period of purchases of goods is 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

### 11. Convertible Bond

On 14 March 2008, the Company issued zero-coupon convertible bond with an aggregate principal amount of HK\$200,000,000 to Ascent Goal simultaneously upon completion of the issue and allotment of 400,000,000 ordinary shares of HK\$0.10 each. The bond is denominated in HK\$ and entitles the holders to convert them into ordinary shares of the Company at any time between the date of issue of the bond and its settlement date on 13 March 2011 in multiples of HK\$1,000,000 at a conversion price HK\$0.20 (subject to adjustments) per share. The shares to be issued and allotted upon conversions shall rank *pari passu* in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the convertible bond has not been converted, the Company shall repay the principal amount of the outstanding convertible bond to Ascent Goal at 13 March 2011.

On 11 February 2011, the Company entered into a deed of amendment with Ascent Goal, to extend the maturity date of the convertible bond for 36 months and the conversion period will accordingly be extended for 36 months from 14 March 2011 (date of extension) to 13 March 2014. Apart from the extension of the maturity date and the conversion period, all terms of the convertible bond remain unchanged from the original terms.

Following the change of functional currency from HK\$ to RMB, the board of directors is of the view that the convertible bond upon extension of maturity date ("Convertible Bond") was no longer convertible at a fixed for fixed relationship. Accordingly, the Convertible Bond was designated as a financial liability at FVTPL in the condensed consolidated statement of financial position.

On 21 January 2014, the Company entered into a second deed of amendment with Ascent Goal ("New Convertible Bond"), to extend the maturity date of the Convertible Bond for 36 months and the conversion period will accordingly be extended for 36 months from 14 March 2014 (date of extension) to 13 March 2017 ("New Maturity Date"). Apart from the extension of maturity date and the conversion period, all terms of the New Convertible Bond remain unchanged from the original terms.

The New Maturity Date is considered to be a substantial modification of terms of the Convertible Bond as the discounted present value of the cash flows of the New Convertible Bond is more than 10% different from the discounted present value of the cash flows of the outstanding Convertible Bond prior to the extension of maturity date. As such, Convertible Bond was derecognised and New Convertible Bond was recognised. The fair value of the New Convertible Bond as at 14 March 2014 amounting to approximately HK\$200,000,000. An extinguishment loss of approximately HK\$211,000 has been recognised in profit or loss.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 September 2016

### 11. Convertible Bond *(Continued)*

The Convertible Bond and New Convertible Bond were valued by the directors of the Company with reference to valuation reports issued by independent qualified valuers not connected to the Group. The increase in fair value of the New Convertible Bond from its carrying amount as at 31 March 2013 to the date of extension, and the New Convertible Bond from the date of extension to 31 March 2014 and the fair value changes during the period ended 30 September 2015 and 2016 have been recognised in the profit or loss.

The movement of the convertible bond for the period/year is set out below:

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Balance at the beginning of the period/year	317,650	244,201
Fair value change charged to the profit or loss	(34,186)	73,449
Loss on translation of Convertible Bond denominated in a foreign currency into the functional currency	10,024	13,831
Exchange adjustment arising on translation of functional currency to presentation currency and charged to other comprehensive income	(10,024)	(13,831)
Balance at end of the period/year	283,464	317,650
Analysed for reporting as:		
Current liabilities	283,464	317,650
Difference between carrying amount and maturity amount:		
New Convertible Bond at fair value	283,464	317,650
Amount payable on maturity	200,000	200,000
	83,464	117,650

None of the Convertible Bond or New Convertible Bond had been converted into ordinary shares of the Company during the six months ended 30 September 2016 and the year ended 31 March 2016.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 September 2016

## 12. Fair Value Measurement of Financial Instruments

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 30 September 2016 and 31 March 2016.

### *Fair value hierarchy*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group uses an independent valuer to perform valuations of financial instruments which are categorised into Level 3 of the fair value hierarchy. Valuation reports with analysis of changes in fair value measurement are prepared by the independent valuer at each interim and annual reporting date, and are reviewed and approved by the financial controller. Discussion of the valuation process and results with the financial controller of the Company is held twice a year to coincide with the reporting dates.

	Fair value at	Fair value measurements as at		
	30 September	30 September 2016 categorised into		
	2016	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurements				
Liabilities:				
Convertible bond designated				
as financial liabilities at FVTPL	283,464	–	–	283,464

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 September 2016

### 12. Fair Value Measurement of Financial Instruments *(Continued)*

*Fair value hierarchy (Continued)*

	Fair value at	Fair value measurements as at		
	31 March	31 March 2016 categorised into		
	2016	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurements				
Liabilities:				
Convertible bond designated				
as financial liabilities at FVTPL	317,650	–	–	317,650

During the year ended 31 March 2016 and period ended 30 September 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

#### *Information about Level 3 fair value measurements*

The fair value of the convertible bond is equal to the summation of the fair value of the liability component and conversion option component, calculated by using discounted cash flows and binominal model, respectively. The assumptions adopted for the valuation of the convertible bond are as follows:

- i) The estimation of risk free rate has made reference to the yield of Exchange Fund Bill with same duration as the convertible bond;
- ii) The estimation of volatility for the underlying share price has considered the historical price movements of those companies engaged in similar industry;

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 September 2016

### 12. Fair Value Measurement of Financial Instruments *(Continued)*

*Information about Level 3 fair value measurements (Continued)*

- iii) The discount rate was arrived at based on the Company's credit rating and selected comparable corporate bonds with similar maturity and credit risk to derive the range of comparable yield to maturity as of date of valuation and the median range has been adopted; and
- iv) The estimation of dividend yield is based on historical dividend payment of the Company.

Major parameters adopted in the calculation of the fair value are summarised below:

	30 September 2016	31 March 2016
Stock price	HK\$0.56	HK\$0.63
Exercise price	HK\$0.20	HK\$0.20
Risk free rate	0.333%	0.276%
Discount rate	4.45%	7.39%
Dividend yield	0%	0%
Time to expiration	0.45 years	0.95 years
Stock price volatility	52.95%	116.09%

The significant unobservable input used in the fair value measurement is expected stock price volatility. The fair value measurement is positively correlated to the expected stock price volatility. If the expected stock price volatility has been 5% higher with all other variables held constant, the Group's profit for the six months ended 30 September 2016 and accumulated losses would (decrease)/increase by approximately HK\$212,000 (2015: the Group's loss for the period and accumulated losses would increase by approximately HK\$1,745,000 during the period ended 30 September 2015). If the expected stock price volatility has been 5% lower with all other variables held constant, the Group's profit for the six months ended 30 September 2016 and accumulated losses would increase/(decrease) by approximately HK\$144,000 (2015: the Group's loss for the period and accumulated losses would decrease by approximately HK\$1,763,000 during the period ended 30 September 2015).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 September 2016

### 12. Fair Value Measurement of Financial Instruments *(Continued)*

#### *Reconciliation of Level 3 fair value measurements*

The movement during the period in the balance of financial liability of Level 3 fair value measurements is as follows:

	30 September 2016 HK\$'000 (unaudited)	30 September 2015 HK\$'000 (unaudited)
<b>Convertible bond (note 11):</b>		
At beginning of the period	317,650	244,201
<b>Total (gain)/loss recognised in profit or loss:</b>		
Fair value change (credited)/charged to the profit or loss, included in a line item of condensed consolidated statement of profit or loss and other comprehensive income	(34,186)	18,831
Loss on translation of convertible bond denominated in a foreign currency into the functional currency, included in administrative and other operating expenses	10,024	9,120
Total (gain)/loss included in profit or loss for the period	(24,162)	27,951
<b>Total gain recognised in other comprehensive income:</b>		
Exchange difference on translation of functional currency to presentation currency	(10,024)	(9,120)
At the end of the period	283,464	263,032
Total (gain)/loss for the period relating to:		
– financial liability held at the end of reporting period, under change in fair value of convertible bond	(34,186)	18,831
– financial liability held at the end of reporting period, under administrative and other operating expenses	10,024	9,120
	(24,162)	27,951
Included in other comprehensive income arising on translation of functional currency to presentation currency	(10,024)	(9,120)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 September 2016

## 13. Share Capital

	Number of ordinary shares of HK\$0.1 each	Amount HK\$'000
<b>Ordinary Shares</b>		
Authorised:		
At 1 April 2015, 31 March 2016 and 30 September 2016	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2015, 31 March 2016 and 30 September 2016	765,373,584	76,537

## 14. Related Party Transactions

- a) Except as disclosed elsewhere in the condensed consolidated interim financial information, the significant related party transactions are as follows:

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
China Sonangol International Limited ("China Sonangol") <i>(Note a)</i> – rental expenses <i>(Note b)</i>	390	360

Notes:

- a) China Sonangol is an intermediate holding company of the Company.
- b) Operating lease commitment for future minimum lease payments under non-cancellable operating lease with China Sonangol was amounted to HK\$195,000 (31 March 2016: HK\$585,000).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 September 2016

### 14. Related Party Transactions (Continued)

b) *Compensation of key management personnel*

The remuneration of directors and other members of key management for the six months ended 30 September 2016 and 2015 were as follows:

	<b>Six months ended 30 September</b>	
	<b>2016 HK\$'000 (unaudited)</b>	<b>2015 HK\$'000 (unaudited)</b>
Short-term employee benefits	1,272	1,398
Post-employment benefits	18	18
	<b>1,290</b>	<b>1,416</b>

The remuneration of directors and key executives of the Company was determined by the remuneration committee having regard to the performance of individuals and the market trends.

### 15. Operating Lease Commitments

*The Group as lessee*

The Group leases certain of its offices, warehouse and staff quarters under operating lease arrangements. Lease for properties are negotiated for a term ranging from one to three years and rental are fixed.

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>30 September 2016 HK\$'000 (unaudited)</b>	<b>31 March 2016 HK\$'000 (audited)</b>
Within one year	1,524	1,044
In the second to fifth years, inclusive	–	–
	<b>1,524</b>	<b>1,044</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 September 2016

### 15. Operating Lease Commitments *(Continued)*

#### *The Group as lessor*

The Group leases out certain of its offices under operating lease arrangements. Lease for properties are negotiated for a term ranging from one to three years and rental are fixed.

At the end of reporting period, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of its properties as follows:

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Within one year	365	173
In the second to fifth years, inclusive	–	–
	<b>365</b>	<b>173</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### *Revenue*

For the six months ended 30 September 2016, the Group recorded a revenue of approximately HK\$25,772,000, which was an increase of 63.8% or HK\$10,043,000 as compared with HK\$15,729,000 achieved in the corresponding period in 2015.

Geographically, Xinjiang Uygur Autonomous Region (“Xinjiang”) is remote from major industrial cities in the PRC. Coal produced in Xinjiang is mainly consumed locally due to the reason of logistic and transportation costs.

Increase in sales is mainly due to increase demand for small-medium sized, middle and slack coals. The Group sold approximately 388,122 tonnes (2015: approximately 202,248 tonnes) of coal, increased by 91.9% in volume from a year ago.

#### *Cost of sales*

The cost of sales for the period was approximately HK\$17,266,000 (2015: approximately HK\$11,810,000). The cost mainly comprises direct labor cost, cost for explosive works, depreciation, amortization, etc. The increase in cost of sales was largely in line with the increase in sales volume during the period as compared with the previous corresponding period.

#### *Gross profit*

Due to the factors explained above, therefore, the gross profit of the Group for the six months ended 30 September 2016 increased to approximately HK\$8,506,000 from HK\$3,919,000 for the six months ended 30 September 2015, representing an increase of approximately 117.1% and gross profit margin increased by 8.1% for the six months ended 30 September 2016 to 33.0%, representing an increase of 32.5%.

#### *Other revenue*

The Group's other revenue for the six months ended 30 September 2016 was HK\$2,961,000, representing a decrease of HK\$4,042,000 or 57.7% as compared with the corresponding period in the last year. This was mainly due to decrease in net income from selling coal gangue (煤矸石) by approximately HK\$1,688,000.

#### *Administrative and operating expenses*

The Group's administrative and operating expenses for the six months ended 30 September 2016 was HK\$16,418,000, representing an increase of HK\$3,142,000 or 23.7% as compared with the previous corresponding period. This was mainly due to the increase in exchange loss.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Financial Review (Continued)

#### *Profit for the period*

Profit of the Group for the six months ended 30 September 2016 was approximately HK\$25,887,000 (2015: loss approximately HK\$23,166,000), representing an increase of approximately HK\$49,053,000 as compared with the corresponding period in the last year. Although there was a significant increase in the gross profit from operation, the increase in profit was mainly due to change in fair value of convertible bond of approximately HK\$34,186,000 as compared with a loss of approximately HK\$18,831,000 in the previous corresponding period.

### Segment Information

#### *Business segment*

The Group's operating segment, based on information reported to the chief operating decision makers who are also the executive directors, for the purposes of resources allocation and performance assessment, is more specifically focused on the types of goods delivered and services provided by the Group's operating divisions.

Coal mining business is the only reportable operating segment from which the Group derived its revenue from sale of coal. Accordingly, no further segment information is provided.

#### *Coal mining business*

Coal mining is the sole business of the Group at present. It contributed a revenue of approximately HK\$25,772,000 for the reporting period (2015: approximately HK\$15,729,000), a 63.8% increase as compared with the corresponding period in 2015. The increase in revenue is mainly resulted from increase in sales volume during the reporting period.

#### *Sales and production of coals*

During the reporting period, the Group sold 0.39 million tonnes of coals with total sales income of approximately HK\$25,772,000. Details of coal sales in tonnes are listed in the below table:

	Period ended 30 September	
	2016	2015
Coal sales	388,122 tonnes	202,248 tonnes

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Segment Information (Continued)

Coal sales in tonnes and percentage

	Coal Sales (tonnes)	Coal Sales in %
Saw Cut Coal	529	0.14
Large Coal	8,280	2.13
Middle Coal	36,626	9.44
Three Eight Coal	18,640	4.80
Three Six Coal	32,019	8.25
Small-medium sized Coal	50,906	13.11
Slack Coal	118,051	30.42
Weathered Coal	123,071	31.71
Total	388,122	100.00

#### Reserves and resources

The Group owns one mining right and one exploration right in Xinjiang, which are Kaiyuan Open Pit Coal Mine (“Kaiyuan Mine”) and Zexu Open Pit Coal Mine (“Zexu Mine”) respectively. The estimated remaining coal reserve in Kaiyuan Mine was 10.01 million tonnes as at 30 September 2016 (2015: 11.22 million tonnes). The coal reserve was calculated by using the following formula, which was in line with the market practice:

Coal reserve as at 30 September 2016 = Coal reserve as at 31 March 2016 – Amount of coal extracted (the “Coal Extracts”) by the Group during 1 April 2016 to 30 September 2016.

The exploration permit of Zexu Mine was granted by the Department of Land and Resources of Xinjiang Uygur Autonomous Region from 5 April 2016 to 5 April 2017.

#### Cost of sales

The cost of sales for the period was approximately HK\$17,266,000 (2015: approximately HK\$11,810,000). The cost mainly comprises direct labor cost, cost for explosive works, depreciation, amortization, etc. The increase in cost of sales was largely in line with the increase in sales volume.

#### Geographical segment

The geographical location of customers is determined based on the location where the goods are delivered. The Group’s revenue and results from operations are all derived from activities in the PRC. No business activities are carried out outside the PRC. The principal assets of the Group are also located in the PRC. Accordingly, no geographical segment information is required.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Major Events

#### *Progress of the Optimization and Upgrading Plan<sup>#</sup> and the Updated Optimization and Upgrading Plan<sup>##</sup>*

Pursuant to the instructions from the National Development and Reform Commission of the PRC, the Department of Land and Resources of Xinjiang Uygur Autonomous Region (the “Xinjiang Land Department”) had to plan for a management restructuring of seven different coal mines (including the Zexu Mine) in the Xiheishan Mining Area (the “Optimization and Upgrading Plan”), consolidating some smaller mines together so as to increase the size efficiency (for details, please refer to the Company’s announcement dated 11 November 2011). After being informed of this Optimization and Upgrading Plan, the Board has requested our management in Xinjiang to conduct frequent meetings and negotiations with the Xinjiang Land Department and other relevant government authorities in order to protect the Company’s interest in relation to the exploration permit of the Zexu Mine (the “Exploration Permit”).

According to the letter dated 13 June 2012 issued by the Administrative Bureau of Coal Industry of Changji Prefecture (the “Changji Administrative Bureau”) informing the updated status of the Optimization and Upgrading Plan, the following proposals (the “Updated Optimization and Upgrading Plan”) in relation to the Company’s Kaiyuan Mine and Zexu Mine have been submitted to the working group head office for coal industry structural upgrade work of Xinjiang Uygur Autonomous Region for consideration and approval:

1. The Company’s Kaiyuan Mine would be restructured and upgraded, and the exploration right in the Zexu Mine granted to the Company would be terminated; and
2. The mining area of the Kaiyuan Mine, where the Company is now conducting mining activities, was proposed to be increased from 1.1596 square kilometers to 4.12 square kilometers, with the estimated coal resources of approximately 131.18 million tonnes.

As at the date hereof, the Company has still not yet received any written notification from the relevant Xinjiang government department in respect of the approval of the Updated Optimization and Upgrading Plan.

As stated in the Company’s announcement dated 21 March 2014, the Exploration Permit of the Zexu Mine of the Company originally expired on 20 February 2014. Concerned that the Company’s position and rights in the Optimization and Upgrading Plan might be compromised since the Updated Optimization and Upgrading Plan had still not then been approved by the Xinjiang Uygur Autonomous Region Government, the Company through its Xinjiang staff has continued to make informal representations to Chinese officials urging them to exercise administrative discretion to renew the Exploration Permit despite the fact that the Company had earlier obtained a PRC legal opinion advising the Company no further renewal beyond 20 February 2014 could be obtained for Zexu Mine Exploration Permit. Eventually, on 19 March 2014, the Company obtained a renewal permit from the Xinjiang Land Department granting the renewal of the Exploration Permit from 25 February 2014 to 25 February 2016, and on 19 May 2016, the Company further obtained the renewal of the Exploration Permit with valid period from 5 April 2016 to 5 April 2017.

<sup>#</sup> “Optimization and Upgrading Plan” was previously referred to as “Management Restructuring Plan” in the announcement of the Company dated 11 November 2011 and in the announcements, notices, circulars, interim reports and annual reports of the Company thereafter.

<sup>##</sup> “Updated Optimization and Upgrading Plan” was previously referred to as “Updated Restructuring Proposals” in the announcement of the Company dated 15 June 2012 and in the announcements, notices, circulars, interim reports and annual reports of the Company thereafter.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Prospects

The Board considers that the coal business is full of challenges and endeavors to achieve our goal of bringing maximum values for shareholders by strengthening management of the Company, controlling the cost of coal mining, cooperating with the national policies of developing economy in the western region, seizing new chances, exploring new markets, and seeking for investment opportunities.

Although the Company has obtained a renewal Exploration Permit of Zexu Mine from the Xinjiang Land Department from 5 April 2016 to 5 April 2017, no development or production activity is now taking place and we have no existing plan to apply for the mining permit of Zexu Mine as the Company is still waiting for the written notification from the relevant Xinjiang government department in respect of the approval of the Updated Optimization and Upgrading Plan. The Company will continue to follow up the updated status of the approval process of the Updated Optimization and Upgrading Plan, in order to protect the interests of the Company in Kaiyuan Mine and Zexu Mine.

Despite the aforesaid progress of the Updated Optimization and Upgrading Plan, the Company is still waiting for the written notification from the relevant Xinjiang government department in respect of the approval of the Updated Optimization and Upgrading Plan. It is therefore uncertain as to whether the proposals can be approved by the PRC Government eventually. For this reason, the Company would keep all options open and the Company would not at this stage rule out the possibility of resuming the exploration process for Zexu Mine and then applying for a mining permit of the Zexu Mine either by the Company alone or jointly with other companies having coal mines in the vicinity if the circumstances warrant such course of action being taken.

### Liquidity and Financial Resources

As at 30 September 2016, the Group had:

- net current assets of approximately HK\$49,679,000 (31 March 2016: approximately HK\$19,480,000).
- bank balances and cash of approximately HK\$330,185,000 (31 March 2016: approximately HK\$343,587,000) which were the major components of the Group's current assets of approximately HK\$391,163,000 (31 March 2016: approximately HK\$393,415,000).
- current liabilities of approximately HK\$341,484,000 (31 March 2016: approximately HK\$373,935,000) which comprised mainly trade and other payables of approximately HK\$54,546,000 (31 March 2016: approximately HK\$52,668,000) and convertible bond designated as financial liabilities at fair value through profit or loss of approximately HK\$283,464,000 (31 March 2016: approximately HK\$317,650,000).
- non-current liabilities of approximately HK\$10,353,000 (31 March 2016: approximately HK\$9,363,000) which comprised mainly deferred tax liability of approximately HK\$7,635,000 (31 March 2016: approximately HK\$6,555,000).

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **Liquidity and Financial Resources** *(Continued)*

The Group's gearing ratio was 2.95 (31 March 2016: 4.36). The computation is based on total debt (convertible bond designated as financial liabilities at fair value through profit or loss) divided by total equity.

### **Charges on Group's Assets**

As at 30 September 2016, none of the Group's assets was under charges (2015: Nil).

### **Foreign Exchange Exposure**

The Group mainly earns revenue in RMB and incurs costs in RMB and Hong Kong dollars. The Group is exposed to foreign exchange risk based on fluctuations between Hong Kong dollars and RMB arising from its core operation in the PRC. In order to minimize the foreign currency risk exposure between these two currencies, the Group maintained cash balances in both currencies that are sufficient to meet three to four months of operating cash flows requirements of the Group.

### **Treasury Policies**

Apart from the issue of convertible bond at their face value of HK\$200 million, the Group finances its operation mainly by internal generated resources.

### **Contingent Liabilities and Capital Commitments**

The Group did not have any material contingent liabilities and capital commitments.

### **Employees**

As at 30 September 2016, the Group had 76 employees (31 March 2016: 84) spreading among Hong Kong and the PRC. Employment relationship has been well maintained by the Group with its employees. The Group has adopted an extensive training policy for its employees. It has also sponsored senior executives for higher education programmes.

### **Interim Dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).

## OTHER INFORMATION

### Directors' and Chief Executives' Interests and Short Positions

As at 30 September 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 and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

#### *Interests in shares of an associated corporation of the Company*

Name of director	Notes	Name of associated corporation	Capacity	Number of shares interested	Approximate percentage of the issued share capital of the associated corporation
Ms. Lo Fong Hung	1,3	New Bright International Development Limited	Interests of controlled corporation	3,000 (L)	30%
Mr. Wang Xiangfei	2	New Bright International Development Limited	Interests of controlled corporation	3,000 (L)	30%

(L) denotes as long position

Notes:

1. Ms. Lo Fong Hung ("Ms. Lo"), an executive director of the Company, is interested in 3,000 shares in New Bright International Development Limited ("New Bright"), representing 30% of the issued share capital of New Bright, which currently owns 70% shareholding interests in China Sonangol International Limited ("China Sonangol"). China Sonangol is the holding company of Ascent Goal Investments Limited ("Ascent Goal"), the controlling shareholder of the Company. The shareholding interests of Ascent Goal in the Company is set out in the section headed "Substantial Shareholders' Interests" of this report.
2. Mr. Wang Xiangfei is the husband of Ms. Lo and is deemed to be interested in 3,000 shares of New Bright under the SFO.

## **OTHER INFORMATION** *(Continued)*

### **Directors' and Chief Executives' Interests and Short Positions** *(Continued)*

- Ms. Lo owns 30% of the issued share capital of New Bright which in turn is interested in 70% of China Sonangol. China Sonangol is the holding company of Ascent Goal. Thus, Ms. Lo has an attributable interest in 569,616,589 shares of the Company and a HK\$200,000,000 convertible bond at the conversion price of HK\$0.20 (the "Convertible Bond") per share giving rise to an interest in 1,000,000,000 underlying shares of the Company.*

Save as disclosed above, as at 30 September 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 or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) 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 they have taken or were deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

### **Directors' Rights to Acquire Shares or Debentures**

Save for those disclosed under the headings "Directors' and Chief Executives' Interests and Short Positions" above and "Share Option Scheme" below, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company (including their spouses and children under the age of 18) to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

### **Share Option Scheme**

Pursuant to the share option scheme of the Company approved at the annual general meeting held on 28 August 2003 (the "Share Option Scheme"), the Board may, at its discretion, offer any directors of the Company and eligible participants options to subscribe for shares in the Company subject to the terms and conditions of the Share Option Scheme. The purpose of the Share Option Scheme is to provide incentives to directors of the Company and eligible participants, and it had expired on 27 August 2013.

There was no outstanding share option under the Share Option Scheme as at 30 September 2016.



## OTHER INFORMATION *(Continued)*

### Substantial Shareholders' Interests

As at 30 September 2016, the following persons (other than directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

*Long positions in shares or underlying shares of the Company*

Name of shareholder	Notes	Nature of interest	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Approximate percentage of the issued share capital of the Company
Ascent Goal	1,4	Beneficial owner	569,616,589	1,000,000,000	1,569,616,589	205.08%
China Sonangol	2,4	Interests of controlled corporation	569,616,589	1,000,000,000	1,569,616,589	205.08%
New Bright	2,4	Interests of controlled corporation	569,616,589	1,000,000,000	1,569,616,589	205.08%
Ms. Fung Yuen Kwan, Veronica	3,4	Interests of controlled corporation	569,616,589	1,000,000,000	1,569,616,589	205.08%
Africa Israel Investments Ltd.	5	Beneficial owner	45,000,000	–	45,000,000	5.88%
Mr. Lev Leviev	5	Beneficial owner	1,000,000	–	1,000,000	0.13%
	5	Interests of controlled corporation	74,000,000	–	74,000,000	9.67%

*(Note 6)*

## **OTHER INFORMATION** (Continued)

### **Substantial Shareholders' Interests** (Continued)

Notes:

1. *Ascent Goal was directly interested in 569,616,589 shares and further 1,000,000,000 underlying shares which may be fully allotted and issued if the Convertible Bond are converted at the conversion price of HK\$0.20 per share. These 1,569,616,589 shares were held by Ascent Goal directly as beneficial owner. It includes (i) interests in 569,616,589 shares and (ii) the Convertible Bond giving rise to an interest in 1,000,000,000 underlying shares.*
2. *Since Ascent Goal is a wholly-owned subsidiary of China Sonangol which is beneficially owned as to 70% by New Bright, the interests of Ascent Goal is deemed to be the interests of China Sonangol and in turn the interests of New Bright under the SFO.*
3. *Ms. Fung Yuen Kwan, Veronica is deemed to have interests in the shares and underlying shares through her 70% interests in New Bright.*
4. *The 569,616,589 shares and 1,000,000,000 underlying shares under the Convertible Bond represent 74.42% and 130.66% of the existing issued share capital of the Company respectively, thus the total of 569,616,589 shares and 1,000,000,000 underlying shares represent 205.08% of the existing issued share capital of the Company. The conversion rights attaching to the Convertible Bond will not be exercised and the Company will not issue the conversion shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").*
5. *For the shares held by Mr. Lev Leviev, of these shares, 45,000,000 shares were held by Africa Israel Investments Ltd., a company controlled by Mr. Lev Leviev through his 74.89% interests in Africa Israel Investments Ltd.; 29,000,000 shares were held by Memorand Management (1998) Ltd., a company controlled by Mr. Lev Leviev through his 99% interests in Memorand Ltd.; and 1,000,000 shares were held by Mr. Lev Leviev directly.*
6. *The approximate percentage of shareholdings is based on 765,373,584 shares as at 30 September 2016, not the enlarged issued share capital of the Company upon full conversion of the Convertible Bond.*

Save as disclosed above, the directors of the Company are not aware of any other persons who, as at 30 September 2016, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

### **Purchase, Sale or Redemption of the Company's Listed Securities**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2016.

## **OTHER INFORMATION** *(Continued)*

### **Corporate Governance**

In the opinion of the directors of the Company, the Company has complied with the code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Listing Rules during the six months ended 30 September 2016, save for the deviation from code provision A.2.1 as disclosed below:

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive (“CE”) should be separate and should not be performed by the same individual. During the six months ended 30 September 2016, the Company did not have any officer with CE title. Ms. Lo Fong Hung, the Chairman and Managing Director of the Company, also carried out the responsibility of CE during such period. In view of the size of operation of the Group, the Board considered that this structure is more suitable for the Company as it can promote the efficient formulation and implementation of the Company’s strategies.

### **Change in Director’s Information**

Change in the information of the directors of the Company that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2016 Annual Report of the Company is set out below:

Mr. Chan Yiu Fai, Youdey has been appointed as an independent non-executive director of Qinqin Foodstuffs Group (Cayman) Company Limited, a public listed company in Hong Kong since 17 June 2016.

### **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the directors of the Company. All directors of the Company have confirmed, following specific enquiry made by the Company, that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2016.

### **Audit Committee**

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive directors, namely Mr. Lam Ka Wai, Graham as the chairman of the Audit Committee, Mr. Wong Man Hin, Raymond and Mr. Chan Yiu Fai, Youdey. The Audit Committee together with the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed and reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2016.

By Order of the Board  
**Kwan Man Fai**  
*Executive Director*

Hong Kong, 22 November 2016