



**North Mining Shares Company Limited**

**北方礦業股份有限公司**

(Incorporated in Bermuda with limited liability)

(Stock Code: 433)



**2017**  
**Interim Report**

# Corporate Information

## DIRECTORS

### Executive Directors

Yang Ying Min

*(Chairman and Chief Executive Officer)*

Qian Yi Dong *(Deputy Chairman)*

Zhang Jia Kun

Li Li Juan (Resigned with effect from  
21 June 2017)

### Independent Non-executive Directors

William Fong

Leung Kar Fai

Cheng Chak Ho

## COMPANY SECRETARY

Ho Wing Yan

## AUDIT COMMITTEE

William Fong *(Chairman)*

Leung Kar Fai

Cheng Chak Ho

## REMUNERATION COMMITTEE

Leung Kar Fai *(Chairman)*

William Fong

Cheng Chak Ho

Qian Yi Dong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited

China Citic Bank International Limited

China Construction Bank (Asia)  
Corporation 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

The Belvedere Building

69 Pitts Bay Road

Pembroke HM 08

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

## WEBSITE

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

# Management Discussion and Analysis

## OVERALL FINANCIAL PERFORMANCE

For the six months ended 30 June 2017, North Mining Shares Company Limited (the “Company”) and its subsidiaries (collectively the “Group”) recorded a revenue of approximately HK\$88,176,000 (30 June 2016: approximately HK\$118,527,000), representing a decrease of approximately 25% over the same period in 2016.

During the period under review, the loss recorded by the Group was approximately HK\$63,073,000 (30 June 2016: loss of approximately HK\$12,437,000), representing a increase in loss of approximately 4 times the same period in 2016, such increase was mainly attributable to the increase in finance cost and increase in amortisation of mining rights.

## BUSINESS REVIEW

The principal activities of the Group are (i) mining operations — exploitation, exploration and trading of mineral resources and (ii) property management operations. There was no change in business segment during the period under review. An analysis of each of these business segments is presented below:

### Mining Operations — Exploitation and Exploration and Trading of Mineral Resources

During the period under review, the volume of molybdenum concentrate produced was about 1,104 tonnes (30 June 2016: 97 tonnes), whereas the grade of molybdenum concentrate was approximately 45%–50%. The average selling price of molybdenum concentrate was approximately HK\$45,346 per tonne. During the period under review, the mining operation contributed a revenue of approximately HK\$84,621,000 (30 June 2016: approximately HK\$114,985,000) to the Group, of which approximately HK\$83,133,000 was contributed by sales of molybdenum concentrate (30 June 2016: approximately HK\$111,758,000) and approximately HK\$1,488,000 was contributed by sales of sulfuric acid and iron concentrate (30 June 2016: approximately HK\$3,227,000). The cost of sales was approximately HK\$72,842,000 (30 June 2016: approximately HK\$107,922,000). The gross profit was amounted to approximately HK\$11,779,000 (30 June 2016: approximately HK\$7,063,000). During the six months ended 30 June 2017, the Group recognised an amortisation of mining rights of approximately HK\$17,141,000 (30 June 2016: approximately HK\$3,063,000).

# Management Discussion and Analysis (Cont'd)

## Property management operations

During the period under review, the performance of the Group's property management operations was relatively stable. For the six months ended 30 June 2017, the turnover generated from the property management operation was approximately HK\$3,555,000, representing similar to the corresponding period of last year of HK\$3,542,000.

## MATERIAL ACQUISITION

On 19 January 2017, the Group completed the acquisition of 65% equity interests in Wealth Pioneer Group Limited and its subsidiaries ("Wealth Pioneer Group") at a consideration of HK\$900 million which was satisfied as to HK\$400 million by cash and HK\$500 million by issuance of promissory notes. During the period under review, the promissory notes were fully settled. The principal asset of Wealth Pioneer Group is the Potassium Feldspar Mine located in Shaanxi Province, the PRC. The in-pit indicated and inferred mineral resource estimates for the Potassium Feldspar Mine were approximately 63.2 million tonnes and approximately 40.5 million tonnes respectively according to a technical report from an international mining technical advisory firm. The Board is of the view that the acquisition of Wealth Pioneer Group provides a prime opportunity for the Group to enter into the potassium feldspar mineral resources industry and diversify the revenue stream of the Group in future which is expected to increase the Shareholders' value and benefit the Company and the Shareholders as a whole.

## FUND RAISING EXERCISE

During the period under review, there was no fund raising exercise carried out by the Group.

## PROSPECTS

In the first half of 2017, the global economic situation remains uncertain, while China's economy still confronted with downward pressure. The Group remains cautious about the business growth in the short term. Nevertheless, the Group continues to be optimistic about the prospects for the mid- to long-term business. The price for molybdenum concentrates started to improve by 2016 year's end. The price of molybdenum have stabilised into 2017 and we are seeing positive signs from the market. In respect of the potassium mine acquired at the beginning of the year, its minerals can be processed into potassium sulphate that would improve soil fertility and enhance crops output. According to a survey conducted by the Ministry of Agriculture of the PRC, there is a lack of potassium in 80% of the soil in China, which contributes to the rising demand for potassium fertilizer.



# Management Discussion and Analysis (Cont'd)

The Group will endeavor to keep abreast of the changing market conditions, proactively looking for investment opportunities and expand its mineral resources in order to broaden the revenue base of the Group, enhance its future financial performance and profitability, and fine tune its business strategies when the directors of the Company (the “Directors”) think appropriate. Moreover, the Group is seeking further operating efficiencies across the business. We are confident in the future and committed to continued Company growth.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow. During the period under review, the Group recorded a net cash outflow of approximately HK\$74,562,000 (30 June 2016: cash outflow of approximately HK\$524,985,000). The cash outflow was mainly due to the acquisition of subsidiaries of approximately HK\$540,000,000 from the Group’s investing activities. The Group also had a net cash inflow from financing activities contributed by borrowing of approximately HK\$8,552,000. The current ratio as at 30 June 2017 was approximately 1.64 as contrasted by 4.21 as at 31 December 2016. As at 30 June 2017, the debt to equity ratio as at 30 June 2017 was approximately 0.54 as contrasted by 0.27 as at 31 December 2016. The board of Directors (the “Board”) considered that the Group had a healthy financial position and had enough resources to satisfy its working capital requirement.

## CAPITAL COMMITMENT

As at 30 June 2017, 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 2017 (2016: Nil).

# Management Discussion and Analysis (Cont'd)

## CAPITAL STRUCTURE

The capital structure of the Group as at 30 June 2017 has been summarised below:

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)
Current assets	<b>1,882,109</b>	1,674,733
Current liabilities	<b>1,150,579</b>	638,643
Shareholders' equity	<b>3,254,988</b>	3,339,284

## TREASURY POLICIES

During the six months ended 30 June 2017, 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 2017, 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 2017, the Group had borrowings of approximately HK\$632,142,000 (31 December 2016: HK\$361,167,000).

## CONTINGENT ASSETS AND LIABILITIES

As at 30 June 2017, the Group had no significant contingent assets and liabilities.

## HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2017, the Group employed 380 (30 June 2016: 496) 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 2017 were approximately HK\$6,906,000.

# Unaudited Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Revenue</b>	3	<b>88,176</b>	118,527
Cost of sales		<b>(75,844)</b>	(108,703)
<b>Gross profit</b>		<b>12,332</b>	9,824
Other income and gains	4	<b>3,460</b>	32,132
General and administrative expenses		<b>(31,497)</b>	(44,644)
Other operating expenses		<b>(19,855)</b>	(5,907)
<b>Loss from operations</b>	6	<b>(35,560)</b>	(8,595)
Finance costs	7	<b>(31,796)</b>	(4,606)
<b>Loss before taxation</b>		<b>(67,356)</b>	(13,201)
Taxation	8	<b>4,283</b>	764
<b>Loss for the period</b>		<b>(63,073)</b>	(12,437)
<b>Attributable to:</b>			
Owners of the Company		<b>(54,736)</b>	(2,224)
Non-controlling interests		<b>(8,337)</b>	(10,213)
<b>Loss for the period</b>		<b>(63,073)</b>	(12,437)
<b>Other comprehensive loss (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>(46,860)</b>	(94,341)
<b>Other comprehensive loss for the period</b>		<b>(46,860)</b>	(94,341)
<b>Total comprehensive loss for the period</b>		<b>(109,933)</b>	(106,778)
<b>Attributable to:</b>			
Owners of the Company		<b>(84,296)</b>	(97,799)
Non-controlling interests		<b>(25,637)</b>	(8,979)
		<b>(109,933)</b>	(106,778)
<b>Loss per share</b>			
— Basic, HK cents	10	<b>(0.03)</b>	(0.01)
— Diluted, HK cents		<b>(0.03)</b>	(0.01)

# Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
<b>ASSETS</b>			
<i>Non-Current Assets</i>			
Property, plant and equipment		<b>619,448</b>	495,555
Prepaid lease payments		<b>51,645</b>	52,750
Mining rights	11	<b>1,936,932</b>	996,303
Goodwill		<b>13,403</b>	13,403
Investment deposits	12	<b>600,000</b>	600,000
Prepayment for acquisition of subsidiaries		–	845,712
		<b>3,221,428</b>	3,003,723
<i>Current Assets</i>			
Other financial assets	13	<b>300,000</b>	300,000
Inventories		<b>414,539</b>	413,824
Trade and bills receivables	14	<b>8,304</b>	8,052
Prepayments, deposits and other receivables		<b>730,331</b>	356,854
Cash and cash equivalents		<b>428,935</b>	596,003
		<b>1,882,109</b>	1,674,733
<b>Total Assets</b>		<b>5,103,537</b>	4,678,456
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>344,921</b>	344,921
Reserves		<b>2,910,067</b>	2,994,363
Equity attributable to owners of the Company		<b>3,254,988</b>	3,339,284
Non-controlling interests		<b>61,309</b>	86,946
<b>Total Equity</b>		<b>3,316,297</b>	3,426,230



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

As at 30 June 2017

	Notes	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
<b>LIABILITIES</b>			
<i>Non-Current Liabilities</i>			
Convertible bonds	15	<b>359,354</b>	340,471
Deferred tax liabilities		<b>277,307</b>	273,112
		<b>636,661</b>	613,583
<i>Current Liabilities</i>			
Trade and bill payables	16	<b>68,715</b>	70,599
Other payables and accruals		<b>334,685</b>	95,677
Bank loans and other borrowings		<b>632,142</b>	361,167
Provision for environmental and resources tax		<b>92,128</b>	88,666
Tax payables		<b>22,909</b>	22,534
		<b>1,150,579</b>	638,643
<b>Total Liabilities</b>		<b>1,787,240</b>	1,252,226
<b>Total Equity and Liabilities</b>		<b>5,103,537</b>	4,678,456
<b>Net Current Assets</b>		<b>731,530</b>	1,036,090
<b>Total Assets less Current Liabilities</b>		<b>3,952,958</b>	4,039,813
<b>Net Assets</b>		<b>3,316,297</b>	3,426,230

# Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

		Attributable to owners of the Company										
		Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Convertible bond reserves HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings/ (Accumulated losses) HK\$'000	Sub-total HK\$'000	Attributable to Non-controlling interests HK\$'000	Total equity HK\$'000
<b>At 1 January 2017</b>		344,921	3,770,925	31,350	(894)	8,902	12,677	(90,792)	(737,805)	3,339,284	86,946	3,426,230
Loss and total comprehensive loss for the period		-	-	-	-	-	-	(29,560)	(54,736)	(84,296)	(25,637)	(109,933)
<b>At 30 June 2017</b>		<b>344,921</b>	<b>3,770,925</b>	<b>31,350</b>	<b>(894)</b>	<b>8,902</b>	<b>12,677</b>	<b>(120,352)</b>	<b>(792,541)</b>	<b>3,254,988</b>	<b>61,309</b>	<b>3,316,297</b>
<b>At 1 January 2016</b>		318,441	3,582,405	31,350	(894)	-	12,677	30,105	(413,360)	3,540,704	134,526	3,675,230
Loss and total comprehensive loss for the period		-	-	-	-	-	-	(95,575)	(2,224)	(97,799)	(8,979)	(106,778)
<b>At 30 June 2016</b>		<b>318,441</b>	<b>3,582,405</b>	<b>31,350</b>	<b>(894)</b>	<b>-</b>	<b>12,677</b>	<b>(65,470)</b>	<b>(415,604)</b>	<b>3,442,905</b>	<b>125,547</b>	<b>3,568,452</b>

# Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	<b>(29,545)</b>	(109,221)
Net cash (used in)/generated from investing activities	<b>(53,569)</b>	358,252
Net cash generated from financing activities	<b>8,552</b>	275,954
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(74,562)</b>	524,985
Cash and cash equivalents at 1 January	<b>596,003</b>	225,362
Effect of foreign exchange rate changes, net	<b>(92,506)</b>	(73,876)
<b>Cash and cash equivalents at 30 June</b>	<b>428,935</b>	676,471
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>428,935</b>	676,471

# 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 2016 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. The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

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

In the current interim period, the Group has applied, for the first time, a number of amendments to HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2017.

# 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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Sales of molybdenum concentrate	84,621	114,985
Property management fee income	3,555	3,542
	<b>88,176</b>	<b>118,527</b>

## 4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest income	3,460	4,759
Imputed interest income arising from promissory notes	–	27,363
Sundry income	–	10
	<b>3,460</b>	<b>32,132</b>



# 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 2017 (Unaudited)			
	Trading of mineral resources HK\$'000	Mining operations HK\$'000	Property management HK\$'000	Total HK\$'000
Segment revenue	10,866	73,755	3,555	88,176
Segment results	(249)	(19,867)	(5)	(20,121)
Unallocated revenue				3,460
Unallocated expenses				(46,410)
Loss before taxation				(63,071)
Taxation				(2)
Loss for the period				(63,073)

Other segment information:

	Trading of mineral resources HK\$'000	Property management HK\$'000	Mining exploitation HK\$'000	Others HK\$'000	Total HK\$'000
Depreciation and amortisation	2	2	25,839	2,657	28,500

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

	For the six months ended 30 June 2016 (Unaudited)			
	Trading of mineral resources HK\$'000	Mining operations HK\$'000	Property management HK\$'000	Total HK\$'000
Segment revenue	–	114,985	3,542	118,527
Segment results	–	(33,458)	(2)	(33,460)
Unallocated revenue				32,132
Unallocated expenses				(11,873)
Profit before taxation				(13,201)
Taxation				764
Profit for the period				(12,437)

Other segment information:

	Trading of mineral resources HK\$'000	Property management HK\$'000	Mining exploitation HK\$'000	Others HK\$'000	Total HK\$'000
Depreciation and amortisation	–	3	15,836	2,784	18,623

# 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 2017 (Unaudited)				
	Property management HK\$'000	Mining exploitation HK\$'000	Trading of mineral resources HK\$'000	Others HK\$'000	Total HK\$'000
<b>Segment assets</b>	<b>2,394</b>	<b>2,923,211</b>	<b>396,792</b>	<b>1,781,140</b>	<b>5,103,537</b>
<b>Segment liabilities</b>	<b>1,938</b>	<b>1,158,808</b>	<b>8,360</b>	<b>618,134</b>	<b>1,787,240</b>

  

	As at 31 December 2016 (Audited)				
	Property management HK\$'000	Mining exploitation HK\$'000	Trading of mineral resources HK\$'000	Others HK\$'000	Total HK\$'000
<b>Segment assets</b>	<b>1,440</b>	<b>1,559,742</b>	<b>389,271</b>	<b>2,728,003</b>	<b>4,678,456</b>
<b>Segment liabilities</b>	<b>991</b>	<b>625,748</b>	<b>13,112</b>	<b>612,375</b>	<b>1,252,226</b>

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

## 6. LOSS FROM OPERATIONS

The Group's loss from operations is arrived at after charges:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories	72,842	107,922
Depreciation of property, plant and equipment	8,645	12,716
Operating lease payments in respect of offices premises	2,863	1,120
Director's emoluments	1,085	211
Staff costs (including directors' remuneration)		
— Wages and salaries	6,906	6,986
— Retirement benefits contributions	412	155
Amortisation of prepaid lease payment*	2,714	2,844
Amortisation of mining rights*	17,141	3,063

\* Included in other operating expenses.

## 7. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Imputed interest on convertible bonds	18,883	—
Interest on bank loans and other borrowings wholly repayable within five years	12,913	4,606
	31,796	4,606

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

## 8. TAXATION

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC corporate income tax	2	2
Deferred tax	(4,285)	(766)
	(4,283)	(764)

- (i) The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 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 2016: Nil).
- (ii) PRC income tax charge represents the PRC Enterprise Income Tax paid or payable during the period. Enterprise Income Tax in the PRC has been provided at the prevailing rate.

## 9. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

## 10. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$54,736,000 for six months ended 30 June 2017 (six months ended 30 June 2016: loss attributable to owners of the Company of approximately HK\$2,224,000) and on the weighted average number of 21,557,546,286 shares in issue during the period (six months ended 30 June 2016: 19,902,616,709).

### (b) Diluted loss per share

There were no potential dilutive shares in existence for the six months ended 30 June 2017 and 2016, and accordingly, diluted loss per share equal to basic loss per share.



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

## 11. MINING RIGHTS

During the period under review, the Group acquired a Potassium Feldspar Mine in the PRC. As at 30 June 2017, together with the Group's existing molybdenum mine, the Group has two mining exploitation rights in respect of a molybdenum mine and a potassium Feldspar Mine in the PRC.

The Potassium Feldspar Mine is located at Shangluo City, Luonan County, Shaanxi Province, the PRC. The in-pit indicated and inferred mineral resource estimates for the Potassium Feldspar Mine were approximately 63.2 million tonnes and approximately 40.5 million tonnes respectively according to a technical report from an international mining technical advisory firm.

## 12. INVESTMENT DEPOSITS

Investment deposits represent the potential investment in Shaanxi Ding Jin Mining Company Limited ("Ding Jin") which holds an iron mine located at Zi Yang Xian, An Kang City, Shan Xi Province, the PRC ("Iron Mine"). The Group and Ding Jin agreed two years period to satisfy the conditions including (i) Ding Jin obtained all necessary approval documents to operate the Iron Mine (i.e. the exploitation right and environment approval issued by the relevant PRC authorities); and (ii) the satisfaction of due diligence performed by the Group, including the evaluation of reserve of the Iron Mine.

## 13. OTHER FINANCIAL ASSETS

Other financial assets represent the promissory notes receivable with a face value of HK\$500 million with maturity of 3 years from the date of issuance of the promissory note. As at 30 June 2017, the remaining balance of the promissory notes was approximately HK\$300 million.

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

## 14. TRADE AND BILLS RECEIVABLES

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)
Trade and bills receivables	<b>8,304</b>	8,052

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

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)
0–30 days	–	3,583
31–60 days	<b>4,162</b>	–
61–90 days	<b>421</b>	–
91–180 days	–	4,469
Over 180 days	<b>3,721</b>	–
	<b>8,304</b>	8,052

## 15. CONVERTIBLE BONDS

On 21 December 2016 and 29 December 2016, the Company issued unsecured convertible bonds with principal amount of HK\$98,828,000 (the "CB B") and HK\$250,000,000 (the "CB A") respectively ("CBs"). The maturity date of the CBs are two years from the issuance date. The CBs carrying interest at 10% per annum and payables arrears at first anniversary and upon its maturity dates. The CBs holders have the rights to convert the CBs into ordinary shares of the Company at any time and from time to time between the date of issue of the CBs and up to respectively maturity date, at the initial conversion price of HK\$0.15, subject to adjustment as set out and in accordance with the terms and conditions in the instrument constituting the CBs.

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

## 16. TRADE AND BILLS PAYABLES

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
0–30 days	2,487	3,490
31–60 days	447	694
61–90 days	721	971
91–180 days	465	388
Over 180 days	64,595	65,056
	<b>68,715</b>	<b>70,599</b>

## Additional Information

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30 June 2017, 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 (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2017, 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 shares of the Company
Qian Yong Wei ("Mr. Qian") (Note 1)	Beneficial owner Held by controlled corporation	11,500,000	0.05%
		3,729,808,552	17.30%
		3,741,308,552	17.35%
Xu Zhe Cheng ("Ms. Xu") (Note 2)	Held by spouse	3,741,308,552	17.35%
China Wan Tai Group Limited ("China Wan Tai") (Note 3)	Held by controlled corporation	3,729,808,552	17.30%
Universal Union Limited ("Universal Union")	Beneficial owner	3,729,808,552	17.30%
China Huarong Asset Management Company Limited ("China Huarong Asset") (Note 4)	Held by controlled corporations	4,888,000,000	22.67%

## Additional Information (Cont'd)

Name of shareholders	Capacity	Number of shares/ underlying shares held	Approximate percentage interest in the issued voting shares of the Company
Huarong Real Estate Company Limited ("Huarong Real Estate") (Note 4)	Held by controlled corporations	4,888,000,000	22.67%
China Huarong International Holdings Limited ("China Huarong International") (Note 4)	Held by controlled corporations	4,888,000,000	22.67%
Oceanic Merchant Limited ("Oceanic") (Note 4)	Person having a security interest in shares	1,870,000,000	8.67%
Driven Innovation Limited ("Driven Innovation") (Note 4)	Held by controlled corporation	3,018,000,000	14.00%
Zhong Ling ("Mr. Zhong") (Note 5)	Held by controlled corporation	3,018,000,000	14.00%
China Gem Group Limited ("China Gem Group") (Note 5)	Held by controlled corporation	3,018,000,000	14.00%
China Gem Investment Management Limited ("China Gem Investment") (Note 5)	Held by controlled corporation	3,018,000,000	14.00%
China Gem Fund IX L.P. ("China Gem Fund") (Note 4)	Beneficial owner	3,018,000,000	14.00%



## Additional Information (Cont'd)

Name of shareholders	Capacity	Number of shares/ underlying shares held	Approximate percentage interest in the issued voting shares of the Company
Gu Jie ("Mr. Gu") (Note 6)	Beneficial owner	1,876,580,000	8.70%
Topsearch International (Holdings) Limited (Note 7)	Held by controlled corporation	1,324,929,577	6.15%
Hong Kong Bridge Investments Limited (Note 7)	Beneficial owner	1,324,929,577	6.15%

Convertible Bond issued by the Company:

Name of shareholders	Date of issue	Conversion period	Conversion price per share	Outstanding as at the Latest Practicable Date	Number of underlying shares	Approximate percentage interest in the Company as at 30 June 2017
Stund International Investment Fund Management Limited ("Stund") (Note 8)	29 December 2016	29 December 2016 to 28 December 2018	0.15	1,666,666,666	1,666,666,666	7.73%

Notes:

- 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 3,729,808,552 shares in the Company.
- Ms. Xu is the spouse of Mr. Qian. The interest of Mr. Qian was deemed to be Ms. Xu's interest.
- 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.

## Additional Information (Cont'd)

4. (i) Driven Innovation is the limited partner of China Gem Fund contributing approximately 83.75% of the total capital commitment including its 3,018,000,000 ordinary shares of the Company to China Gem Fund. Driven Innovation is wholly owned by China Huarong International which in turn is owned as to 11.90% by Huarong Zhiyuan Investment & Management Company Limited (“Huarong Zhiyuan”) and as to 88.10% by Huarong Real Estate. Huarong Zhiyuan and Huarong Real Estate both are wholly owned by China Huarong Asset. (ii) Oceanic is wholly owned by China Huarong International. Mr. Gu charged 1,870,000,000 of the Shares he is interested to Oceanic on 11 December 2014. Accordingly, China Gem Fund is interested in 3,018,000,000 Shares, Driven Innovation is deemed to be interested in 3,018,000,000 Shares, each of China Huarong Asset, Huarong Real Estate, China Huarong International is deemed to be interested in 4,888,000,000 Shares and Oceanic is interested in 1,870,000,000 Shares for the purpose of Part XV of the SFO.
5. China Gem Investment, the general partner of China Gem Fund is directly wholly-owned by China Gem Financial Group Limited which is, in turn, directly wholly-owned by China Gem Group which is, in turn, directly wholly-owned by Mr. Zhong. Accordingly, each of China Gem Investment, China Gem Financial Group Limited, China Gem Group and Mr. Zhong is deemed to be interested in 3,018,000,000 Shares held by China Gem Fund for the purpose of Part XV of the SFO.
6. The Company issued and allotted a total of 1,870,000,000 conversion shares to Mr. Gu on 29 August 2014 and Mr. Gu subsequently charged these shares to Oceanic on 11 December 2014.
7. These shares were held by Hong Kong Bridge Investments Limited (“Hong Kong Bridge”). Hong Kong Bridge is wholly owned by Top Rider Investments Limited which is wholly owned by Brilliant Plus Investments Limited which is wholly owned by Topsearch International (Holdings) Limited. Topsearch International (Holdings) Limited is deemed to be interested in the shares held by Hong Kong Bridge for the purpose of Part XV of the SFO.
8. Sfund is held as 100% by Guangzhou Huiyin Tianye Equity Investment Fund Management Co., Ltd. (“Guangzhou Huiyin”). Guangzhou Huiyin is held as 5% by Guangzhou Industry Investment Fund Management Co., Ltd. (“Guangzhou Industry”) and as 95% by Guangzhou Technology Financial Innovation Investment Holdings (“Guangzhou Technology”). Guangzhou Technology is held as 100% by Guangzhou Industry which is held as 100% by People’s Government of Guangzhou Municipality. People’s Government of Guangzhou Municipality is deemed to be interested in the convertible bond held by Sfund for the purpose of Part XV of the SFO

Save as disclosed above, the Directors and chief executive of the Company were not aware of any persons who, as at 30 June 2017, 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

The Company has adopted a share option scheme (the "Share Option Scheme") on 25 May 2011, which shall be valid and effective for a period of ten years commencing from the date of its adoption. The principal purposes of the Share Option Scheme are to enable the Group and its invested entities to recruit and retain high calibre eligible participants and attract human resources that are valuable to the Group or invested entities, to recognise the contributions of the eligible participants to the growth of the Group or invested entities by aligning their interests with that of the Company and to motivate and give incentives to these eligible participants to continue to contribute to the long term success and prosperity of the Group or invested entities. The amount payable by a participant upon acceptance of a grant of share option is HK\$1.00.

The exercise price in respect of any option granted under the Share Option Scheme shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the highest of:

- (i) The closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option;
- (ii) The average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and
- (iii) The nominal value of the shares.

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. No share option remained outstanding and exercisable under the Share Option Scheme as at 30 June 2017.

During the period of the six months ended 30 June 2017, no share option had been granted, exercised, lapsed, or was cancelled under the Share Option Scheme.

As at 30 June 2017, total number of share available for issue under the Share Option Scheme was 1,299,761,670, representing 6.03% of the issued share capital of the Company as at 30 June 2017.

## Additional Information (Cont'd)

### CHANGES IN THE INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the change in the information of Directors during the period of the six months ended 30 June 2017 is set out below:

Ms. Li Li Juan has been resigned as the Executive Director of the Board on 21 June 2017.

### 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 2017.

### CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2017, the Company has applied the principles of the Corporate Governance Code ("the Code") as set out in Appendix 14 of the Listing Rules and complied with all the applicable code provisions of the Code, except the following code provisions:

1. Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Yang Ying Min ("Mr. Yang"), being the Chairman and Chief Executive of the Company. Mr. Yang has in-depth knowledge and considerable experience of the Group's business who is responsible for the overall strategic planning and general management of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same person leading to consistent leadership of the Group and enabling the Group to make and implement decisions promptly and thus achieving the Group's objectives efficiently and effectively in response to the changing environment.

The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

## Additional Information (Cont'd)

2. Under the code provision A.5.1 of the Code, company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

However, the Board considers that the setting up of such a nomination committee may not be necessary at the current scale of the Board and the Company. The Board is responsible for considering and approving the appointment of its members and making recommendations to shareholders on directors standing for re-election, providing sufficient biographical details of directors to enable shareholders to make an informed decision on the re-election, and where necessary, nominate and appoint directors to fill casual vacancies.

The 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.

3. 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. Leung Kar Fai and Dr. Cheng Chak Ho were absent from the 2017 annual general meeting of the Company.

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

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



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

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company confirmed that all Directors had fully complied with the required standard set out in the Model Code for the six month period ended 30 June 2017.

### **AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS**

The audit committee comprises three independent non-executive directors, namely Messrs. William Fong, Leung Kar Fai and Cheng Chak Ho. The audit committee shall review the interim and annual financial statement of the Group before their submission to the Board of the Company for approval, and review the effectiveness of the financial reporting system, risk management and internal control system of the Group. The audit committee has reviewed the Group's interim results for the six months ended 30 June 2017.

On behalf of the Board

**Yang Ying Min**

*Chairman and Chief Executive Officer*

Hong Kong  
29 August 2017