North Mining Shares Company Limited
北方礦業股份有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 433)

INTERIM REPORT 2018

Corporate Information

DIRECTORS

Executive Directors
Yang Ying Min
(Chairman and Chief Executive Officer)
Qian Yi Dong *(Deputy Chairman)*
Zhang Jia Kun
Xu Zi Jing

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 Hong Kong 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

Management Discussion and Analysis

OVERALL FINANCIAL PERFORMANCE

For the six months ended 30 June 2018, North Mining Shares Company Limited (the "Company") and its subsidiaries (collectively the "Group") recorded a revenue of approximately HK$316,996,000 (30 June 2017: approximately HK$88,176,000), representing an increase of approximately 2.6 times over the same period in 2017. Such increase was mainly due to two newly acquired operations namely trading of chemical products and sale of security technologies products, which generated approximately HK$173,548,000 and HK$13,814,000 during the reporting period.

During the period under review, the loss recorded by the Group was approximately HK$125,366,000 (30 June 2017: approximately HK$63,073,000), representing an increase in loss of approximately 99% over the same period in 2017, such increase was mainly attributable to the increase in administrative expense and finance cost.

BUSINESS REVIEW

The principal activities of the Group are: (i) mining operations – exploitation and trading of mineral resources; (ii) property management operations; (iii) chemical trading operations – manufacturing and sale of chemical products and; (iv) security technologies operations – research, development and sale of security technologies products. 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 1,461 tonnes (30 June 2017: 1,104 tonnes), whereas the grade of molybdenum concentrate was approximately 45%-50%. The average selling price of molybdenum concentrate was approximately HK$84,154 per tonne. During the period under review, the mining operation contributed a revenue of approximately HK$126,315,000 (30 June 2017: approximately HK$84,621,000) to the Group, of which approximately HK$122,736,000 was contributed by sales of molybdenum concentrate (30 June 2017: approximately HK$83,133,000) and approximately HK$3,579,000 was contributed by sales of sulfuric acid and iron concentrate (30 June 2017: approximately HK$1,488,000). During the six months ended 30 June 2018, the Group recognised an amortisation of mining rights of approximately HK$24,726,000 (30 June 2017: approximately HK$17,141,000).

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 2018, the turnover generated from the property management operation was approximately HK$3,319,000, representing similar to the corresponding period of last year of HK$3,555,000.

Chemical trading operations

The Group's chemical trading operations mainly includes manufacturing and sale of chemical products in the PRC. Our chemical products were produced by Anhui Tongxi Chemical Company Limited, a non-wholly owned subsidiary acquired on 19 September 2017. For the six months ended 30 June 2018, revenue generated from this segment to the Group was approximately HK$173,548,000.

Security technologies operations

The Group's security technologies operations mainly includes research and development of face recognition technologies in the PRC. Our security technologies and service were provided by Xinjinag Casiavision Security Technology Company Limited and Xinjiang Xintongxing Telecommunication Engineering Company Limited, which were wholly owned subsidiaries acquired on 7 September 2017. For the six months ended 30 June 2018, revenue generated from this segment to the Group was approximately HK$13,814,000.

Termination of Joint Venture

On 9 April 2018, the Company and Mr. Xu Zi Jing ("Mr. Xu") ("Parties") entered into the Joint Venture Agreement pursuant to which the Parties agreed to form a Joint Venture for the purpose of the establishment, operation, promotion and maintenance of blockchain asset trading platform and the research and development and application of blockchain related technology.

After careful consideration of all the circumstances surrounding the Joint Venture and the Company's right under the Joint Venture Agreement, the Company and Mr. Xu have mutually agreed to terminate the Joint Venture Agreement and have entered into a termination agreement on 12 June 2018 (the "Termination Agreement") to terminate the Joint Venture Agreement with immediate effect. The Board considers that the termination of the Joint Venture Agreement will not have any material adverse impact on the financial and operational position of the Group.

FUND RAISING EXERCISE

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

PROSPECTS

Looking forward, despite the challenges faced by global economy, the global economy is improving in the long term. The space for development of China's economy is wider than ever. In 2017, the Chinese Gross Domestic Product ("GDP") grew by approximately 6.9%, which is 0.2% higher than that of 2016. It is expected that China's economy will continue to grow steadily.

Molybdenum market

Under the influence of the reform on the suppliers' side and the normalization of environmental protection control, production of stainless steel in the steel industry continues to increase. Corporates' business environment improved where their demand for Molybdenum raw materials increased in phases. It is expected that the price of Molybdenum concentrate in the second half of 2018 will steadily increase.

Potassium market

According to a survey conducted by the Ministry of Agriculture of the People's Republic of China, approximately 80% of arable land in the PRC is in lack of potassium, which will contribute to the rising demand for potassium fertilizer. It is expected that price of potassium in the future will remain stable and positive in the second half of 2018.

Security business market

Xinjiang's local law and order has always been a concern to the Chinese government and the existing security system is required to be gradually upgraded to a higher standard. This increases the demand for security systems. An optimistic future prospect of the security business market is expected.

Chemical business market

The Group invested in a chemical company that engages in the research, sale and technical services of non-dangerous chemical products in the second half of 2017 in order to diversify its business portfolio. It is expected that it will continue to provide the Group with an alternative source of revenue.

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$29,392,000 (30 June 2017: cash outflow of approximately HK$74,562,000). The cash outflow was mainly due to the cash outflow of approximately HK$137,400,000 from the Group's operating activities. The Group also had a net cash inflow from financing activities contributed by borrowing of approximately HK$19,798,000. The current ratio as at 30 June 2018 was approximately 0.73 as contrasted by 0.74 as at 31 December 2017. As at 30 June 2018, the debt to equity ratio as at 30 June 2018 was approximately 0.50 as contrasted by 0.42 as at 31 December 2017. 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 2018, 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 2018 (2017: Nil).

CAPITAL STRUCTURE

The capital structure of the Group as at 30 June 2018 has been summarised below:

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Current assets	**990,395**	955,339
Current liabilities	**1,356,339**	1,284,428
Shareholders' equity	**4,371,652**	4,607,042

TREASURY POLICIES

During the six months ended 30 June 2018, 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 2018, 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 2018, the Group had borrowings of approximately HK$970,584,000 (31 December 2017: approximately HK$847,664,000).

CONTINGENT ASSETS AND LIABILITIES

As at 30 June 2018, the Group had no significant contingent assets and liabilities.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2018, the Group employed 892 (30 June 2017: 380) full time employees in Hong Kong and the PRC. Employee remuneration packages are structured and reviewed with reference to the nature of jobs, market condition and individual merits. The Group also provides other employees benefits which include year-end double pay, mandatory provident fund and medical insurance. Total staff costs for the six months ended 30 June 2018 were approximately HK$13,719,000.

Unaudited Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Revenue	*3*	**316,996**	88,176
Cost of sales		**(253,584)**	(75,844)
Gross profit		**63,412**	12,332
Other income and gains	*4*	**1,176**	3,460
General and administrative expenses		**(118,126)**	(31,497)
Other operating expenses		**(27,673)**	(19,855)
Loss from operations	*6*	**(81,211)**	(35,560)
Finance costs	*7*	**(48,231)**	(31,796)
Loss before taxation		**(129,442)**	(67,356)
Taxation	*8*	**4,076**	4,283
Loss for the period		**(125,366)**	(63,073)
Attributable to:			
Owners of the Company		**(92,342)**	(54,736)
Non-controlling interests		**(33,024)**	(8,337)
Loss for the period		**(125,366)**	(63,073)
Other comprehensive loss (Net of tax effect):			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign subsidiaries		**(110,024)**	(46,860)
Other comprehensive loss for the period		**(110,024)**	(46,860)
Total comprehensive loss for the period		**(235,390)**	(109,933)
Attributable to:			
Owners of the Company		**(184,004)**	(84,296)
Non-controlling interests		**(51,386)**	(25,637)
		(235,390)	(109,933)
Loss per share			
– Basic, HK cents	*10*	**(0.43)**	(0.25)
– Diluted, HK cents		**(0.43)**	(0.25)

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
ASSETS			
Non-Current Assets			
Property, plant and equipment		**984,286**	977,120
Prepaid lease payments		**70,702**	72,974
Mining rights	*11*	**3,390,916**	3,402,590
Goodwill		**69,131**	69,131
Investment deposits	*12*	**600,000**	600,000
Intangible assets		**457,223**	454,787
Finance lease receivables		**3,971**	5,077
		5,576,229	5,581,679
Current Assets			
Finance lease receivables		**1,169**	1,314
Inventories		**544,869**	472,640
Trade and bills receivables	*13*	**55,351**	66,660
Prepayments, deposits and other receivables		**278,075**	252,408
Cash and cash equivalents		**110,931**	162,317
		990,395	955,339
Total Assets		**6,566,624**	6,537,018
CAPITAL AND RESERVES			
Share capital		**343,926**	343,926
Reserves		**2,574,386**	2,758,390
Equity attributable to owners of the Company		**2,918,312**	3,102,316
Non-controlling interests		**1,453,340**	1,504,726
Total Equity		**4,371,652**	4,607,042

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

As at 30 June 2018

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
LIABILITIES			
Non-Current Liabilities			
Bank loans and other borrowing		**444,975**	251,321
Deferred tax liabilities		**393,658**	394,227
		838,633	645,548
Current Liabilities			
Trade and bill payables	*15*	**211,953**	184,859
Other payables and accruals		**243,071**	148,775
Bank loans and other borrowings		**525,609**	596,343
Convertible bonds	*14*	**363,804**	344,686
Tax payables		**11,902**	9,765
		1,356,339	1,284,428
Total Liabilities		**2,194,972**	1,929,976
Total Equity and Liabilities		**6,566,624**	6,537,018
Net Current Liabilities		**(365,944)**	(329,089)
Total Assets less Current Liabilities		**5,210,285**	5,252,590
Net Assets		**4,371,652**	4,607,042

Unaudited Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company											
	Share capital	Share premium	Contributed surplus	Capital redemption reserve	Capital reserve	Convertible bond reserves	Statutory reserve	Exchange reserve	Accumulated losses	Subtotal	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018	**343,926**	**3,761,932**	**31,350**	**995**	**(894)**	**8,902**	**16,654**	**(171,998)**	**(888,551)**	**3,102,316**	**1,504,726**	**4,607,042**
Loss and total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(91,662)**	**(92,342)**	**(184,004)**	**(51,386)**	**(235,390)**
At 30 June 2018	**343,926**	**3,761,932**	**31,350**	**995**	**(894)**	**8,902**	**16,654**	**(263,660)**	**(980,893)**	**2,918,312**	**1,453,340**	**4,371,652**
At 1 January 2017	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)
At 30 June 2017	344,921	3,770,925	31,350	–	(894)	8,902	12,677	(120,352)	(792,541)	3,254,988	61,309	3,316,297

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six Months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(137,400)**	(29,545)
Net cash generated from/(used in) investing activities	**19,798**	(53,569)
Net cash generated from financing activities	**88,210**	8,552
Net decrease in cash and cash equivalents	**(29,392)**	(74,562)
Cash and cash equivalents at 1 January	**56,097**	596,003
Effect of foreign exchange rate changes, net	**(222)**	(92,506)
Cash and cash equivalents at 30 June	**26,483**	428,935
Analysis of balances of cash and cash equivalents		
Cash and bank balance	**26,483**	428,935

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 and its subsidiaries (the "Group") are (i) mining operations – exploitation and exploration and trading of mineral resources; (ii) property management operations; (iii) chemical trading operations; and (iv) security technologies operations.

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 2017 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 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

In preparing these Unaudited Condensed Consolidated Interim Financial Statements, the Directors have considered the future liquidity of the Group. As at 30 June 2018, the Group had net current liabilities of approximately HK$365,944,000 and incurred net loss of approximately HK$125,366,000 for the six months ended 30 June 2018. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the aforesaid conditions, these consolidated financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the Directors, the Group can meet its financial obligations as and when they fall due within the next year from the date of the consolidated financial statements, after taking into consideration of the following measures and arrangements made subsequent to the reporting date:

(i) As at the date of approving these condensed consolidated financial statements, the Group obtained loan facilities of approximately HK$350,000,000 which is carrying interest at 12% per annum;

(ii) The Directors will strengthen to implement measures aiming of improving the working capital and cash flows of the Group including closely monitoring the general administrative expenses and operating costs; and

(iii) The Directors will negotiate with certain bankers to obtain additional banking facilities, if necessary.

In light of the measures and arrangements implemented to date, the Directors are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the date of the consolidated financial statements, after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the development of its businesses. Accordingly, the Directors are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these potential adjustments have not been reflected in these condensed consolidated financial statements.

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

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRS 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

Key changes in accounting policies resulting from application of HKFRS 15

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources:

- Property management
- Mining exploitation
- Trading of mineral resources
- Trading of chemical products
- Sale of security technologies products

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Summary of effects arising from initial application of HKFRS 15
There was no material impact of transition to HKFRS 15 on retained profits at 1 January 2018.

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments
In the current period, the Group has applied HKFRS 9 Financial instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets), and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) with the cumulative effect of initial application recognised at the date of initial application and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15. All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and bills receivables and other receivables) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss by adjusting their carrying amount, with the exception of trade and bills receivables, other receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in below.

Summary of effects arising from initial application of HKFRS 9

The application of HKFRS 9 in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Sales of molybdenum concentrate	**126,315**	84,621
Property management fee income	**3,319**	3,555
Sales of chemical products	**173,548**	–
Sales of security technologies products	**13,814**	–
	316,996	88,176

4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest income	**303**	3,460
Sundry income	**873**	–
	1,176	3,460

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 2018 (Unaudited)					
	Property management HK$'000	Mining exploitation HK$'000	Trading of mineral resources HK$'000	Trading of chemical products HK$'000	Sale of security technologies products HK$'000	Total HK$'000
Segment revenue	3,319	121,403	4,912	173,548	13,814	316,996
Segment results	(24)	37,942	(406)	(57,385)	(8,380)	(28,253)
Unallocated income						1,176
Unallocated expenses						(102,365)
Loss before taxation						(129,442)
Taxation						4,076
Loss for the period						(125,366)

Other segment information:

	Property management HK$'000	Mining exploitation HK$'000	Trading of mineral resources HK$'000	Trading of chemical products HK$'000	Sale of security technologies products HK$'000	Others HK$'000	Total HK$'000
Depreciation and amortisation	1	27,904	4	7,281	4,689	3,156	43,035

	For the six months ended 30 June 2017 (Unaudited)			
	Trading of mineral resources HK$'000	Mining exploitation HK$'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 income				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

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

As at 30 June 2018
(Unaudited)

	Property management HK$'000	Mining exploitation HK$'000	Trading of mineral resources HK$'000	Trading of chemical products HK$'000	Sale of security technologies products HK$'000	Others HK$'000	Total HK$'000
Segment assets	**2,408**	**4,149,390**	**497,468**	**655,522**	**105,628**	**1,156,208**	**6,566,624**
Segment liabilities	**1,917**	**787,835**	**–**	**554,305**	**197,205**	**653,710**	**2,194,972**

As at 31 December 2017
(Audited)

	Property management HK$'000	Mining exploitation HK$'000	Trading of mineral resources HK$'000	Trading of chemical products HK$'000	Sale of security technologies products HK$'000	Others HK$'000	Total HK$'000
Segment assets	1,832	4,192,563	392,708	593,618	159,313	1,196,984	6,537,018
Segment liabilities	1,323	832,449	–	261,303	198,014	636,887	1,929,976

6. LOSS FROM OPERATIONS

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**15,362**	8,645
Operating lease payments in respect of offices premises	**3,125**	2,863
Director's emoluments	**691**	1,085
Staff costs (including directors' remuneration)		
– Wages and salaries	**12,725**	6,906
– Retirement benefits contributions	**994**	412
Amortisation of prepaid lease payment*	**2,947**	2,714
Amortisation of mining rights*	**24,726**	17,141

* Included in other operating expenses.

7. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Imputed interest on convertible bonds	**19,118**	18,883
Interest on bank loans and other borrowings wholly repayable within five years	**29,113**	12,913
	48,231	31,796

8. TAXATION

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC corporate income tax	**–**	2
Deferred tax	**(4,076)**	(4,285)
	(4,076)	(4,283)

(i) The provision for Hong Kong Profits Tax is calculated at 16.5% (2017: 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 2017: 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 2018 (six months ended 30 June 2017: 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$92,342,000 for six months ended 30 June 2018 (six months ended 30 June 2017: HK$54,736,000) and on the weighted average number of 21,495,386,286 shares in issue during the period (six months ended 30 June 2017: 21,557,546,286).

(b) Diluted loss per share

The computation of diluted loss per share does not assume the conversion of the company's outstanding convertible bonds since their assumed exercise would result in a decrease in loss per share during the both periods.

11. MINING RIGHTS

As at 30 June 2018, 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. TRADE AND BILLS RECEIVABLES

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Trade and bills receivables	**55,351**	66,660

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

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
0–30 days	**3,128**	3,065
31–60 days	**8,587**	4,772
61–90 days	**5,095**	–
91–180 days	**9,584**	44,596
Over 180 days	**28,957**	14,227
	55,351	66,660

14. 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.

15. TRADE AND BILLS PAYABLES

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
0–30 days	**2,634**	39,484
31–60 days	**38,942**	19,906
61–90 days	**50,340**	–
91–180 days	**44,752**	58,872
Over 180 days	**75,285**	66,597
	211,953	184,859

Additional Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30 June 2018, 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 2018, 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	Beneficial owner	11,500,000	0.05%
("Mr. Qian") *(Note 1)*	Held by controlled corporation	4,030,248,552	18.75%
		4,041,748,552	18.80%
Xu Zhe Cheng ("Ms. Xu") *(Note 2)*	Held by spouse	4,041,748,552	18.80%
China Wan Tai Group Limited	Beneficial owner	204,640,000	0.95%
("China Wan Tai") *(Note 3)*	Held by controlled corporation	3,825,608,552	17.80%
		4,030,248,552	18.75%
Universal Union Limited ("Universal Union")	Beneficial owner	3,825,608,552	17.80%
China Huarong Asset Management Company Limited ("China Huarong Asset") *(Note 4)*	Held by controlled corporation	4,888,000,000	22.74%

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 corporation	4,888,000,000	22.74%
China Huarong International Holdings Limited ("China Huarong International") *(Note 4)*	Held by controlled corporation	4,888,000,000	22.74%
Oceanic Merchant Limited ("Oceanic") *(Note 4)*	Person having a security interest in shares	1,870,000,000	8.70%
Driven Innovation Limited ("Driven Innovation") *(Note 4)*	Held by controlled corporation	3,018,000,000	14.04%
Zhong Ling ("Mr. Zhong") *(Note 5)*	Held by controlled corporation	3,018,000,000	14.04%
China Gem Group Limited ("China Gem Group") *(Note 5)*	Held by controlled corporation	3,018,000,000	14.04%
China Gem Investment Management Limited *(Note 5)* ("China Gem Investment")	Held by controlled corporation	3,018,000,000	14.04%
China Gem Fund IX L.P ("China Gem Fund") *(Note 4)*	Beneficial owner	3,018,000,000	14.04%
Gu Jie ("Mr. Gu") *(Note 6)*	Beneficial owner	1,876,580,000	8.73%

Name of shareholders	Capacity	Number of shares/ underlying shares held	Approximate percentage interest in the issued voting shares of the Company
Shanghai Mint Investment Advisory Company Limited *(Note 7)*	Held by controlled corporation	1,324,929,577	6.16%
Mint International Group Limited *(Note 7)*	Held by controlled corporation	1,324,929,577	6.16%
Pleasant Journey Global Limited *(Note 7)*	Beneficial owner	1,324,929,577	6.16%

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 2018
Sfund International Investment Fund Management Limited ("Sfund") *(Note 8)*	29 December 2016	29 December 2016 to 28 December 2018	0.15	1,666,666,666	1,666,666,666	7.75%

Notes:

1. Mr. Qian personally held 11,500,000 shares in the Company, and held 95% interest in China Wan Tai. China Wan Tai held 100% interest in Universal Union. Universal Union held 3,825,608,552 shares in the Company.

2. Ms. Xu is the spouse of Mr. Qian. The interest of Mr. Qian was deemed to be Ms. Xu's interest.

3. These shares are held by Universal Union, a wholly owned subsidiary of China Wan Tai which is in turn beneficially owned by Mr. Qian and Ms. Xu as to 95% and 5% respectively.

4. (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 Pleasant Journey Global Limited ("Pleasant Journey"). Pleasant Journey is wholly owned by Mint International Group Limited which is wholly owned by Shanghai Mint Investment Advisory Company Limited ("Shanghai Mint"). Shanghai Mint is deemed to be interested in the shares held by Pleasant Journey 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 2018, 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.

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 2018.

During the period of the six months ended 30 June 2018, no share option had been granted, exercised, lapsed, or was cancelled under the Share Option Scheme.

As at 30 June 2018, total number of share available for issue under the Share Option Scheme was 1,299,761,670, representing 6.05% of the issued share capital of the Company as at 30 June 2018.

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 2018 is set out below:

Mr. Xu Zi Jing has been appointed as the Executive Director of the Company on 9 April 2018.

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 2018.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2018, 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.

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, Dato Dr. Cheng Chak Ho were absent from the 2018 annual general meeting of the Company.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company confirmed that all Directors had fully complied with the required standard set out in the Model Code for the six months ended 30 June 2018.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Mr. William Fong, Mr. Leung Kar Fai and Dato Dr. 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 2018.

On behalf of the Board
Yang Ying Min
Chairman and Chief Executive Officer

Hong Kong
28 August 2018