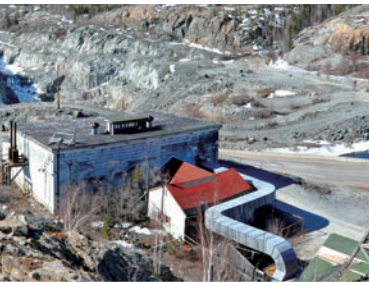




North Mining Shares Company Limited

北方礦業股份有限公司

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



Interim Report **2011**

CORPORATE INFORMATION

Directors

Executive Directors

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

Qian Yi Dong (*Deputy Chairman*)

Zhao Qing

Zhang Jia Kun

Fan Wei Guo

Independent Non-executive Directors

Mu Xiangming

Cheng Chak Ho

Lo Wa Kei Roy

Company Secretary

Yuen Wing Kwan

Audit Committee

Mu Xiangming

Cheng Chak Ho

Lo Wa Kei Roy

Remuneration Committee

Qian Yi Dong

Lo Wa Kei Roy

Cheng Chak Ho

Principal Bankers

Citibank

Standard Chartered Bank
(Hong Kong) Limited

HSBC

Wing Hang Bank Limited

Auditors

Pan-China (H.K.) CPA Limited

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head Office And Principal Place Of Business

Rooms 3609–10, 36/F

China Resources Building

No. 26 Harbour Road

Wanchai

Hong Kong

Principal Share Registrar

Butterfield Fulcrum Group (Bermuda)
Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM08 Bermuda

Hong Kong Branch Share Registrar And Transfer Office

Tricor Tengis Limited

26/F, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

Listing Information

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

Website

www.northmining.com.hk

The board of directors (the "Board") of North Mining Shares Company Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2011, together with the comparative figures for the corresponding period in 2010.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Revenue	3	213,246	183,905
Cost of sales		(145,599)	(126,511)
Gross profit		67,647	57,394
Other income and gains		96	2,287
General and administrative expenses		(38,439)	(36,881)
Other operations expenses		(107,353)	(44,716)
Loss from operations	5	(78,049)	(21,916)
Finance costs	6	(5,694)	(238)
Loss before taxation		(83,743)	(22,154)
Taxation	7	(8,774)	(7,816)
Loss for the period		(92,517)	(29,970)
Loss for the period attributable to:			
Owners of the Company		(91,103)	(35,926)
Minority interests		(1,414)	5,956
Loss for the period		(92,517)	(29,970)
Loss per share	9		
— Basic		(0.70) HK cents	(0.32) HK cents
— Diluted		N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(92,517)	(29,970)
Other comprehensive income:		
Exchange differences arising from translation of foreign operations	1,525	2,415
Total comprehensive loss for the period	(90,992)	(27,555)
Attributable to:		
Owners of the Company	(90,110)	(34,436)
Minority interests	(882)	6,881
Loss for the period	(90,992)	(27,555)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		249,835	239,516
Investment properties		153,501	153,501
Prepaid lease payments		88,251	89,423
Exploration and evaluation assets		3,340,576	3,340,576
Mining rights		3,212,152	3,318,288
		7,044,315	7,141,304
Current assets			
Inventories		230,494	193,879
Trade receivables	10	4,367	—
Prepayment, deposit and other receivables		305,678	166,909
Tax recoverable		16,922	11,349
Cash and bank balances		31,592	138,381
		589,053	510,518
Total assets		7,633,368	7,651,822
EQUITY			
Equity attributable to Company's equity holders			
Share capital	11	208,042	200,961
Reserves		3,554,128	3,509,187
		3,762,170	3,710,148
Non-controlling interest		2,143,571	2,144,985
Total equity		5,905,741	5,855,133

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

		30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
	Notes		
LIABILITIES			
Non-current liabilities			
Provision for environmental and resource tax		—	118,078
Deferred tax liabilities		1,429,389	1,429,389
		1,429,389	1,547,467
Current liabilities			
Trade payables	12	36,607	22,610
Other payables and accruals		79,668	121,124
Bank borrowings		181,729	105,254
Tax payables		234	234
		298,238	249,222
Total liabilities		1,727,627	1,796,689
Total equity and liabilities		7,633,368	7,651,822
Net current assets		290,815	261,296
Total assets less current liabilities		7,335,130	7,402,600
Net assets		5,905,741	5,855,133

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Contributed surplus	Capital reserve	Special reserve	Fair value reserve	Exchange reserve	Statutory reserve	Accumulated losses	Sub-total	Minority interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2010 (Audited)	155,129	952,025	31,350	(894)	669,801	1,357,758	19,213	4,905	482,305	3,671,592	2,202,083	5,873,675
Placing of new shares	15,962	390,453	—	—	—	—	—	—	—	406,415	—	406,415
Issue of consideration shares	21,871	647,930	—	—	(669,801)	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	—	1,490	—	(35,926)	(34,436)	6,881	(27,555)
At 30 June 2010 (Unaudited)	192,962	1,990,408	31,350	(894)	—	1,357,758	20,703	4,905	446,379	4,043,571	2,208,964	6,252,535
As at 1 January 2011 (Audited)	200,961	2,122,285	31,350	(894)	—	1,357,758	200,261	11,695	(213,268)	3,710,148	2,144,985	5,855,133
Placing of new shares	7,080	134,520	—	—	—	—	—	—	—	141,600	—	141,600
Total comprehensive income for the period	—	—	—	—	—	—	1,525	—	(91,103)	(89,578)	(1,414)	(90,992)
At 30 June 2011 (Unaudited)	208,041	2,256,805	31,350	(894)	—	1,357,758	201,786	11,695	(304,371)	3,762,170	2,143,571	5,905,741

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	(182,278)	(81,788)
Net cash outflow from investing activities	(26,033)	(73,098)
Net cash inflow from financing activities	99,997	399,719
Net increase in cash and cash equivalents	(108,314)	244,833
Cash and cash equivalents at the beginning of the period	138,381	94,698
Effect of foreign exchange rate change, net	1,525	2,538
Cash and cash equivalents at the end of the period	31,592	342,069
Analysis of balance of cash and cash equivalents		
Cash and bank balances	31,592	342,069

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are (i) mining operations-exploitation and exploration; (ii) property leasing; and (iii) property management.

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

2. BASIS OF PREPARATION AND ACCOUNT POLICIES

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

The principal accounting policies used in the preparation of the condensed consolidated financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2010.

In current interim period, the Group has applied for the first time, the following new or revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28 ¹
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ⁵
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets ⁵
HKFRS 9	Financial Instruments ⁷
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁶
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendments)	Classification of Rights Issues ²
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 February 2010.

³ Effective for annual periods beginning on or after 1 July 2010.

⁴ Effective for annual periods beginning on or after 1 January 2011.

⁵ Effective for annual periods beginning on or after 1 July 2011.

⁶ Effective for annual periods beginning on or after 1 January 2012.

⁷ Effective for annual periods beginning on or after 1 January 2013.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Property management fee income	1,979	1,807
Sales of molybdenum concentrate	211,267	182,098
	213,246	183,905

4. 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 2011			
	Mining	Property	Property	Total
	Operations	leasing	management	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue	211,267	—	1,979	213,246
Segment result	(73,266)	—	357	(72,909)
Unallocated revenues				96
Unallocated expenses				(10,930)
Loss before tax				(83,743)
Taxation				(8,774)
Loss for the period				(92,517)

	For the six months ended 30 June 2010			
	Mining	Property	Property	Total
	Operations	leasing	management	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue	182,098	—	1,807	183,905
Segment result	(17,017)	—	396	(16,621)
Unallocated revenues				2,287
Unallocated expenses				(7,820)
Loss before tax				(22,154)
Taxation				(7,816)
Loss for the period				(29,970)

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

As at 30 June 2011						
	Mining operation					
	Mining exploitation	Mining exploration	Property leasing	Property management	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment assets	3,699,339	3,340,575	344,128	1,283	248,043	7,633,368
Segment liabilities	1,118,017	595,581	21	962	13,046	1,727,627
Other segment information:						
Depreciation and amortisation	46,032	—	—	3	51	46,086
Impairment loss recognised during the year	78,000	—	—	—	—	78,000
Capital expenditures	26,033	—	—	—	—	26,033
As at 31 December 2010						
	Mining operation					
	Mining exploitation	Mining exploration	Property leasing	Property management	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	3,468,752	3,789,575	187,852	1,146	204,497	7,651,822
Segment liabilities	1,079,280	711,782	21	834	4,772	1,796,689
Other segment information:						
Depreciation and amortisation	—	86,158	—	12	538	86,708
Fair value loss on investment properties	—	—	145,236	—	—	145,236
Impairment loss recognised during the year	344,422	189,593	—	—	49,812	583,827
Capital expenditures	33,561	23,616	—	—	—	57,177
Provisions	201,406	—	—	—	—	201,406

5. LOSS FROM OPERATIONS

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

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Cost of inventories	143,987	125,101
Depreciation of property, plant and equipment	16,743	14,747
Operating lease payment in respect of premises	848	790
Directors' emoluments	562	722
Staff cost		
— Salaries and allowance	6,127	5,949
— Contributions to retirement scheme	809	786
Included in other operating expenses:		
Amortisation of prepaid lease payment	1,195	984
Amortisation of mining rights	28,148	40,464
Impairment loss on mining rights	78,000	—

6. FINANCE COSTS

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Interest on bank loans wholly repayable within five years	5,694	238

7. TAXATION

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Current tax — PRC enterprise income tax provision for the period	8,774	7,816

- (i) The provision for Hong Kong Profits Tax is calculated at 16.5% (2010: 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 the Group's operations in Hong Kong incurred a tax loss for the period (30 June 2010: 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 on the estimated assessable profit applicable to the Company's subsidiaries established in the PRC.

8. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2011 (six month ended 30 June 2010: Nil).

9. LOSS PER SHARES

(a) Basic loss per shares

The calculation of basic loss per shares is based on the loss attributable to owners of the Company of approximately HK\$91,103,000 (six months 30 June 2010: HK\$35,926,000) for six months ended 30 June 2011 and on the weighted average number of 12,944,265,061 shares (six months ended 30 June 2010: 11,145,688,868) in issue during the period.

(b) Diluted loss per shares

There were no potential dilutive shares in existence for the six months ended 30 June 2011 and 2010, and accordingly, no diluted loss per shares has been presented.

10. TRADE RECEIVABLES

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Trade receivables	4,367	—
Less: Impairment loss recognised	—	—
	4,367	—

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

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
0–30 days	4,367	—

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

- (i) Sales of molybdenum concentrate
The Group has a policy of allowing a credit period of 30 days from the date of issuance of invoice to its customers. Longer credit term may be extended depending on the size of contract, credibility and reputation of the customers.
- (ii) Rental income
The Group allows a credit period of 30 days from the date of issuance of invoices to its tenants.
- (iii) Property management fee income
The Group allows a credit period of 30 days from the date of issuance of invoices to the property's landlord.

11. SHARE CAPITAL

	30 June 2011		31 December 2010	
	Number of shares '000 (Unaudited)	Amount HK\$'000 (Unaudited)	Number of shares '000 (Audited)	Amount HK\$'000 (Audited)
Authorised:				
Ordinary shares HK\$0.016 each	31,250,000	500,000	31,250,000	500,000
Issued and fully paid:				
Ordinary shares HK\$0.016 each	13,002,617	208,042	12,560,116	200,961

12. TRADE PAYABLES

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Due within 1 months or demand	36,607	22,610

13. OPERATING LEASE ARRANGEMENT

As at 30 June 2011, the Group had commitments for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Within one year	1,935	1,935
In the second to fifth years inclusive	890	1,738
	2,825	3,673

14. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2011 except for the potential liabilities of approximately HK\$44,613,980 for land reclamation and mine closures for the Group's molybdenum mines held by Jiu Long Kuang Ye. Such liabilities arose from normal course of business and their amounts were calculated based on the Director's best estimates. Such liabilities have not been provided but have been disclosed in the interim financial statements as the amounts of liabilities cannot be measured reliably.

Save as disclosed above, the Group had no other material contingent liabilities as at 30 June 2011 (31 December 2010: Nil).

Capital commitments

As at 30 June 2011, the Group had no material capital commitment (31 December 2010: Nil).

15. MATERIAL RELATED PARTY TRANSACTION

The significant and material related party transactions between the Group and the related parties as set out in the annual report for the year ended 31 December 2010 continued to take place during this interim reporting period.

There was no new significant and material related party transaction entered by the Group during the six months ended 30 June 2011.

16. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board on 30 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

For the six months ended 30 June 2011, the Group recorded a turnover of approximately HK\$213,246,000 (30 June 2010: HK\$183,905,000), representing an increase of about 16% over the same period in 2010.

During the period under review, the loss recorded by the Group increased to about HK\$92,517,000 (30 June 2010: loss of approximately HK\$29,970,000), representing an increase of about 2.09 times as compared with the same period in 2010. Loss for the period was mainly due to the amortization of mining rights of about HK\$28,148,000 and impairment loss on mining rights of HK\$78,000,000.

SEGMENT BUSINESS REVIEW

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

Mining operations — exploitation and exploration

** Shaanxi Province Luo Nan Xian Jiu Long Kuang Ye Company Limited ("Jiu Long Kuang Ye") (陝西省洛南縣九龍礦業有限公司)*

During the period under review, the volume of molybdenum concentrate produced by the molybdenum mine operated by Jiu Long Kuang Ye was about 3,015 tonnes. The sales volume of molybdenum concentrate was about 2,460 tonnes, whereas the grade of molybdenum concentrate was approximately 42–45%. The average selling price of molybdenum concentrate was about HK\$85,881 per tonne. During the period under review, Jiu Long Kuang Ye contributed a revenue of approximately HK\$211,267,000 (30 June 2010: HK\$182,098,000) to the Group. The cost of sales was about HK\$143,987,000 (30 June 2010: HK\$125,101,000). The gross profit was amounted to about HK\$67,280,000 (30 June 2010: HK\$56,998,000). During the period under review, Jiu Long Kuang Ye recorded a loss of approximately HK\$4,040,000 (30 June 2010: HK\$17,017,000).

During the period under review, the Directors assessed the impairment of mining rights held by Jiu Long Kuang Ye by reference to an independent assessment performed by an external professional valuer. In the opinion of the Directors, provision of impairment is not necessary.

* *For identification purposes only*

During the period under review, the sales of molybdenum concentrate recorded an increase of approximately 16% as compared to last corresponding period. Such increase was mainly driven by the increase in demand in the PRC local market and the decrease in molybdenum price. Although the average selling price of molybdenum concentrate decreased during the period under review, the management of Jiu Long Kuang Ye considered such decrease was only a short term effect due by unstable economic condition in international market in the first six months of 2011. The management of Jiu Long Kuang Ye will closely monitor the price of molybdenum concentrate and adjust the inventories level for sales to match with any increase in price of molybdenum in future.

The mining operation of Jiu Long Kuang Ye is the core business of the Group which accounted for approximately 99% of the turnover of the Group for the six months ended 30 June 2011. In order to support its operations on a continuous basis, the environmental and resources tax of RMB100,000,000 had been fully settled during the period under review. Such environmental and resources tax was imposed by the local authorities for renewing the mining license consequent upon the change in control of Jiu Long Kuang Ye from previous owner to the Group. The funding of environmental and resources tax was financed by both internal and external resources. Because of the allocation of such substantial resources for the settlement of the environmental and resources tax, expansion of additional processing plant was slowed down during the period under review. The Group will allocate sufficient funding for supporting the construction of additional processing plant in future in order to maximize the potential profitability of Jiu Long Kuang Ye.

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

Rui Sui Kuang Ye has the exploitation rights of an iron mine covering approximately 4.17 km² in Da Nan Gou, Jin Dou Xiang, Tong Hua Xian, Jilin Province (吉林省通化縣金門鄉大南溝) of the PRC. It also holds the exploration rights of a molybdenum mine extending approximately 9.35 km² located in Fu Song Xian, Baishan City, Jilin Province (吉林省白山市撫松縣) of the PRC.

* *For identification purposes only*

The mines held by Rui Sui Kuang Ye did not contribute any income to the Group during the period under review because those mines have not yet been put in production. Exploration works and construction of exploitation site and processing plants were still in progress during the period under review. Due to the situation that significant capital resources were located to Jiu Long Kuang Ye during the period under review, the works of Rui Sui Kuang Ye fell behind schedule. Nevertheless, the Directors expect that Rui Sui Kuang Ye will contribute positive return to the Group upon commencement of production of iron and molybdenum.

During the period under review, the Directors assessed the fair value of the exploration and evaluation assets held by Rui Sui Kuang Ye by reference to an independent assessment performed by an external professional valuer. In the opinion of the Directors, there was no material change in the fair value of the exploration and evaluation assets held by Rui Sui Kuang Ye.

* *Heilongjiang Yi Tong Mining Company Limited* (“Yi Tong Mining”) (黑龍江伊通礦業有限公司)

Yi Tong Mining holds a mine exploitation permit and a mine exploration permit of Dong Feng Lin Gold Iron Mine which is located in Heilongjiang Province, the PRC. According to the “Geological General Exploration Report (地質詳查報告) on Dong Feng Lin Gold Iron Mine, Tie Li City, Heilongjiang Province” issued by the Yi Chun City Geology Exploration Team (伊春市地質勘查隊) in October 2009, the reserves of gold and iron in the said mine are about 18.19 tonnes and about 41,510,000 tonnes respectively.

During the period under review, the Directors assessed the impairment of mining rights held by Yi Tong Mining by reference to an independent assessment performed by an external professional valuer. Based on the assessment of the independent valuer, the recoverable amounts of the mining rights held by Yi Tong Mining was approximately HK\$371,000,000 as at 30 June 2011. Therefore, an impairment loss of HK\$78 million was recognised during the period under review.

* *For identification purposes only*

As disclosed in the announcement of the Company dated 28 June 2010, the vendor of Yi Tong Mining has in the Acquisition Agreement guaranteed to the Company that the net profit for each of the Profit Guaranteed Years (as defined in the abovementioned announcement) will not be less than RMB20 million. However, due to limited internal fund for the commencement of operation in Yi Tong Mining, the Board anticipates that the Profit Guarantee (as defined in the abovementioned announcement) of RMB20 million are failed to be met. Both the Company and vendor intended to modify the profit guarantee condition by way of a supplementary agreement. When the supplementary agreement of acquisition of Yi Tong Mining is completed, an announcement will be published in due course. The Board believes that any failure of fulfillment of the profit guarantee will not have material adverse effect of the financial position of the Group.

Property leasing operations

Changchun, the PRC

The shopping mall in Changchun City needs to undergo renovation and reconstruction so as to improve its competitive strengths in the city. The upgrading works are scheduled to be completed by the second quarter in 2012. Accordingly, for the six months ended 30 June 2011, there was no rental income generated from the shopping mall (30 June 2010: Nil). Currently, the construction of the shopping mall in Changchun City is in progress, the Board expects that the shopping mall will bring stable rental income to the Group upon completion of the renovation.

Xian, the PRC

During the period under review, the Group acquired a number of investment properties located in Xian. The investment properties are still under development and their legal titles will be transferred to the Group upon completion. As such, these investment amounts were classified under prepayments, deposits and other receivables. According to the schedule provided by the property developer, these investment properties will be completed in the first quarter of 2012. The Group expects that positive return will be generated from both leasing of and future capital gains from the sale of these investment properties.

Property management operations

For the six months ended 30 June 2011, the turnover generated from the property management operation was approximately HK\$1,979,000, representing a growth of approximately 9.5% over the corresponding period of last year of HK\$1,807,000. During the period under review, the Group had the management contract for a high-end property in Shanghai. The management of the Group is seeking other high quality property management contracts to expand the Group's property management portfolio.

Other Business

Associates

The Group has an associated company which is principally engaged in the business of manufacturing and trading of pharmaceutical products in PRC. In year 2009, the associated company terminated its business operations to meet the transport infrastructure plans developed by the local government. The management of the associate company has been negotiating with the local government about any compensation and other solutions giving rise from the infrastructure plan.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2011 except for the potential liabilities of approximately HK\$44,613,980 for land reclamation and mine closures for the Group's molybdenum mines held by Jiu Long Kuang Ye. Such liabilities arose from normal course of business and their amounts were calculated based on the Director's best estimates. Such liabilities have not been provided but have been disclosed in the interim financial statements as the amounts of liabilities cannot be measured reliably.

Contingent assets

Reference is made to the Company's previous announcements in connection to the compensation to the Group on a suspected fraud transaction made by the Group's joint venture partner in the property development project. The cash compensation of RMB30,000,000 had been fully received by the Group, however, the assets compensation of the entire equity in Xian Communication University Second Affiliated Middle School Southern District by way of transferring equity title to the Group was still in the progress pending for the approval by the PRC local authorities. Such assets have not been accounted for but have been disclosed in the interim financial statements as the amounts of such assets cannot be measured reliably.

Capital commitment

As at 30 June 2011, the Group did not have any capital commitments.

Convertible Note Option Agreement

As disclosed in the announcement of the Company dated 19 July 2011, the Company entered into the Convertible Note Option Agreement (“CN Option Agreement”) with the Potential Subscribers. If all of the Convertible Note Options are issued and validly exercised, the Company will issue an aggregate principal amount of up to HK\$754 million of Convertible Notes. Assuming the conversion rights attaching to the Convertible Notes are exercised in full at the Conversion Price of HK\$0.29, a maximum of 2,600 million Conversion Shares will be allotted and issued, representing approximately 20% of the entire issued share capital of the Company and approximately 16.66% of the entire issued share capital as enlarged by the issue of the Conversion Shares. The Board considers that the Subscription represents an opportunity to strengthen the financial position of the Group while broadening the investor base and capital base of the Group. The Directors are of view that the CN option Agreement is entered into upon normal commercial terms following arm’s length negotiations between the Company and the Potential Subscribers and the CN Option Agreement is fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole.

PROSPECTS

In the first half of 2011, the price of domestic molybdenum concentrates was between around RMB2,020/metric tonne unit and RMB2,220/metric tonne unit. The price of domestic molybdenum concentrates is expected to sustain a steady growth in the second half of 2011. The Group will continue to focus on the development of the mining business, and in particular, it will endeavor to enhance its strength in the operation in this sector. In addition, the Group will continue seeking for investment opportunities with potentials in the PRC or elsewhere with an aim to maximize the return to our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and proceeds received from fund raising activities. During the period under review, the Group recorded a net cash outflow of approximately HK\$108,314,000 (2010: net cash inflow of approximately HK\$244,833,000). As at 30 June 2011, the Group had outstanding bank borrowings in the amount of approximately HK\$181,729,000 (31 December 2010: HK\$105,254,000), the gearing ratio was 4.8% (31 December 2010: 2.9%). The Group enjoys good liquidity and solvency. The current ratio was approximately 1.98 for the six months ended 30 June 2011 while it was 2.01 as at 31 December 2010. As at 30 June 2011, the debt to equity ratio was 0.46 while it was 0.48 as at 31 December 2010. The ratio was calculated by dividing the total liabilities of HK\$1,727,627,000 (31 December 2010: HK\$1,796,689,000) by the total shareholders’ equity of HK\$3,762,170,000 (31 December 2010: HK\$3,710,148,000). The Board believes that the Group has a healthy financial position and sufficient resources to satisfy its capital expenditure and working capital requirement.

CAPITAL STRUCTURE AND TREASURY POLICIES

Capital Structure

The capital structure of the Group as at 30 June 2011 has been summarised below:

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Current assets	589,053	510,518
Current liabilities	298,238	249,222
Shareholders' equity	3,762,170	3,710,148

Detail of the composition of current assets and current liabilities has been disclosed in the unaudited condensed consolidated statement of financial position on pages 4 and 5 in this report.

Treasury Policies

During the six months ended 30 June 2011, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Board does not consider that the Group is significantly exposed to any foreign currency exchange risk. 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 2011, the Group did not employ any financial instruments for hedging purposes and did not engage in foreign currency speculative activities.

BORROWINGS AND BANKING FACILITIES

As at 30 June 2011, the Group had current portion of bank borrowings amounted to approximately HK\$181,729,000 (31 December 2010: HK\$105,254,000).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2011, the Group employed 792 (30 June 2010: 788) 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 2011 were approximately HK\$6,127,000 (30 June 2010: HK\$5,949,000).

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2011, none of the directors or chief executives of the Company and 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").

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2011, 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 held	Approximate percentage interest in the issued share capital of the Company
Qian Yong Wei (Note 1) ("Mr. Qian")	Held by controlled corporation	5,996,988,552	46.12%
Xu Zhe Cheng (Note 2) ("Ms. Xu")	Held by spouse	5,996,988,552	46.12%
China Wan Tai Group Limited ("China Wan Tai") (Note 3)	Held by controlled corporation	5,996,988,552	46.12%
Universal Union Limited ("Universal Union")	Beneficial owner	5,996,988,552	46.12%
Chu Yuet Wah (Note 4) ("Mrs. Chu")	Held by controlled corporation	4,252,907,722	32.70%
Best Forth Limited (Note 4) ("Best Forth")	Held by controlled corporation	4,252,907,719	32.70%
Ample Cheer Limited (Note 4) ("Ample Cheer")	Held by controlled corporation	4,252,907,719	32.70%
Kingston Finance Limited (Note 4) ("Kingston")	Security interest in shares	4,252,907,719	32.70%

Notes:

1. Mr. Qian held 95% interest in China Wan Tai. China Wan Tai held 100% interest in Universal Union. Universal Union held 5,996,988,552 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. Mrs. Chu held 100% interest in Best Forth. Best Forth held 80% interest in Ample Cheer and Ample Cheer held 100% interest in Kingston Finance. Kingston Finance is deemed to have a security interest in 4,252,907,719 shares in the Company held by Universal Union. Accordingly, Mrs. Chu, Best Forth and Ample Cheer are also deemed to have security interest in 4,252,907,719 shares in the Company.
5. All interests stated above represent long position.

Save as disclosed above, the Directors and chief executive of the Company were not aware of any persons who, as at 30 June 2011, 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

On 25 May 2011, the shareholders adopted a share option scheme (the "Scheme") at the annual general meeting of the Company. The principal purposes of the Scheme are to enable the Group and its invested entities to recruit and retain high caliber eligible persons and attract human resources that are valuable to the Group or invested entities, to recognize the contributions of the eligible persons to the growth of the Group or invested entities by rewarding them with opportunities to obtain ownership interest of the Company and to motivate and give incentives to the eligible persons to continue to the long term success and prosperity of the Group or invested entities.

During the six months ended 30 June 2011, no share option under the Scheme was granted, lapsed and cancelled and no share option under the Scheme was outstanding.

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 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2011, the Company has applied the principles of the Code on Corporate Governance Practices (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:

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. Chiu Yeung ("Mr. Chiu") performed the roles of the Chairman, the Chief Executive Officer and an Executive Director of the Company until 15 March 2011. Mr. Gao Yuan Xing ("Mr. Gao") has been appointed as the Chairman, the Chief Executive Officer and an Executive Director of the Company replacing the roles of the Mr. Chiu with effect from the same date.

In allowing the two positions to be occupied by the same person, the Company has considered that both positions require in-depth knowledge and considerable experience of the Group's business. Candidates with the requisite knowledge, experience and leadership are difficult to identify. If either of the positions is occupied by an unqualified person, the Group's performance could be gravely compromised. The Board also believes that the vesting of two roles in the same person would provide the Group with stable and consistent leadership and allows for more effective and efficient planning and implementation of long term business strategies. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange. Having made specific enquiry of all Directors, the Company confirmed that all Directors complied with the required standard set out in the Model Code for the six months ended 30 June 2011.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Mr. Mu Xiangming, Dr. Cheng Chak Ho and Mr. Lo Wa Kei Roy. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting process and internal control of the Group. The audit committee has reviewed the Group’s interim results for the six months ended 30 June 2011.

On behalf of the Board

Gao Yuan Xing
Chairman

Hong Kong, 30 August 2011