

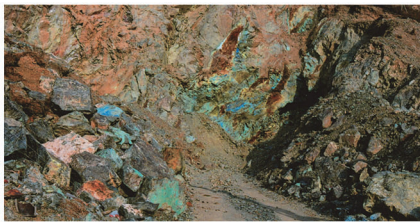


North Mining Shares Company Limited

北方礦業股份有限公司

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

INTERIM REPORT 2012



CORPORATE INFORMATION

Directors

Executive Directors

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

Qian Yi Dong (*Deputy Chairman*)

Zhao Qing

Zhang Jia Kun

Non-executive Directors

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 (*Chairman*)

Cheng Chak Ho

Lo Wa Kei Roy

Remuneration Committee

Lo Wa Kei Roy (*Chairman*)

Cheng Chak Ho

Qian Yi Dong

Auditors

Elite Partners CPA Limited

Certified Public Accountants

Principal Bankers

Citibank

Standard Chartered Bank
(Hong Kong) Limited

HSBC

Wing Hang Bank 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”) is pleased to present the interim report and the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

For the six months ended 30 June 2012, the Group recorded a turnover of approximately HK\$194,615,000 (30 June 2011: HK\$213,246,000), representing a decrease of about 8.7% over the same period in 2011.

During the period under review, the loss recorded by the Group decreased to about HK\$52,950,000 (30 June 2011: loss of approximately HK\$92,517,000), representing a decrease of about 42.8% as compared with the same period in 2011. Loss for the period was mainly due to the amortization of mining rights of about HK\$62,000,000.

SEGMENT BUSINESS REVIEW

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

Mining Operations — Exploitation, Exploration and Trading of Mineral Resources

**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 1,870 tonnes. The sales volume of molybdenum concentrate was about 2,565 tones (30 June 2011: 2,460 tones), whereas the grade of molybdenum concentrate was approximately 42–45%. The average selling price of molybdenum concentrate was about HK\$74,613 per tonne. During the period under review, Jiu Long Kuang Ye contributed a revenue of approximately HK\$191,383,000 (30 June 2011: HK\$211,267,000) to the Group. The cost of sales was about HK\$156,700,000 (30 June 2011: HK\$143,987,000). The gross profit was amounted to about HK\$34,683,000 (30 June 2011: HK\$67,280,000). During the period under review, Jiu Long Kuang Ye recorded a loss of approximately HK\$59,100,000 (30 June 2011: a loss of approximately HK\$4,040,000).

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

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

On 22 March 2012, Golden Finance Company Limited ("Golden Finance"), a wholly-owned subsidiary of the Company, as the vendor entered into the disposal agreement with the purchaser, in relation to the disposal of 26% equity interests of Rui Sui Kuang Ye (the "Sale Shares") at a consideration of HK\$600,000,000 (the "Disposal Agreement").

The consideration has been satisfied by way of promissory note issued by the purchaser to Golden Finance upon completion of the Disposal Agreement. The promissory note is secured by the Sale Shares pursuant to the share pledge agreement entered into between Golden Finance and the purchaser. Subsequent to the disposal of the Sale Shares, Rui Sui Kuang Ye has been classified as an associated company of the Company.

**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.

As disclosed in the announcement of the Company dated 28 June 2010, the vendor of Yi Tong Mining has in the acquisition agreement (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, Yi Tong Mining had not commenced operation. Therefore, there was no revenue derived from Yi Tong Mining. Since Yi Tong Mining had not achieved the profit as stated in the Profit Guarantee, the Company can exercise the right to acquire further 30% of the equity interests in Yi Tong Mining from the Vendor without any consideration as pursuant to the Acquisition Agreement. The Company is now in the process to exercise this right. The company will promptly make an announcement regarding the arrangement of Profit Guarantee.

** For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Property Management Operations

For the six months ended 30 June 2012, the turnover generated from the property management operation was approximately HK\$3,232,000, representing a growth of approximately 59.5% over the corresponding period of last year of HK\$1,979,000. Such increase was mainly due to a new property management contract engaged by the Group.

PROSPECTS

In the first half of 2012, the price of domestic molybdenum concentrates was between around RMB1,810/metric tonne unit and RMB1,850/metric tonne unit. The general trend of the domestic molybdenum price was going into a slow decline compare with the corresponding period of last year. The Group will continue to keep abreast of the changing market conditions and will adjust its business and operation strategies. Moreover, the Group may seek some strategic opportunities to cooperate with other sizable mining companies in order to enhance the economics of scale.

FINANCIAL REVIEW

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 inflow of approximately HK\$60,280,000 (2011: net cash outflow of approximately HK\$108,314,000). As at 30 June 2012, the Group had outstanding bank borrowings in the amount of approximately HK\$195,423,000 (31 December 2011: HK\$59,870,000), the gearing ratio was 6% (31 December 2011: 1.9%). The Group enjoys good liquidity and solvency. The current ratio was approximately 1.24 for the six months ended 30 June 2012 while it was 1.3 as at 31 December 2011. As at 30 June 2012, the debt to equity ratio was 0.38 while it was 0.34 as at 31 December 2011. The ratio was calculated by dividing the total liabilities of HK\$1,258,935,000 (31 December 2011: HK\$1,089,226,000) by the total shareholders' equity of HK\$3,276,455,000 (31 December 2011: HK\$3,234,235,000). The Board believes that the Group has a healthy financial position and sufficient resources to satisfy its capital expenditure and working capital requirement.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2012 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 and was 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 2012, the Group did not have any capital commitments.

Capital Structure

The capital structure of the Group as at 30 June 2012 has been summarized below:

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited) (Restated)
Current assets	578,717	386,449
Current liabilities	467,666	297,957
Shareholders' equity	3,276,455	3,234,235

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Treasury Policies

During the six months ended 30 June 2012, 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 2012, 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 2012, the Group had current portion of bank borrowings amounted to approximately HK\$195,423,000 (31 December 2011: HK\$59,870,000).

Human Resources and Remuneration Policy

As at 30 June 2012, the Group employed 732 (30 June 2011: 792) 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 2012 were approximately HK\$5,766,000 (30 June 2011: HK\$6,127,000).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

PLACING OF SHARES

As disclosed in the Company's announcement dated 31 May 2012, the Company entered into a placing agreement with a placee in relation to a placing of 300,000,000 new Shares at a price of HK\$0.26 per Share (the "Placing"). The Placing was completed on 7 June 2012.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

CONVERTIBLE NOTE OPTION AGREEMENT

As disclosed in the Company's announcement dated 31 May 2012, the Company, as the issuer, entered into the Convertible Note Option Agreement ("CN Option Agreement") with the potential subscriber who is also the placee of the Placing. If all of the convertible note options are issued and validly exercised, the Company will issue an aggregate principal amount of up to HK\$252,000,000 of convertible notes (the "Convertible Notes"). Assuming the conversion rights attaching to the Convertible Notes are exercised in full at the conversion price of HK\$0.36, a maximum of 700,000,000 conversion shares (the "Conversion Shares") will be allotted and issued, representing approximately 5.38% of the existing issued share capital of the Company and approximately 5.11% of the entire issued share capital when all the Conversion Shares are allotted and issued. 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.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue	3	194,615	213,246
Cost of sales		(159,415)	(145,599)
Gross profit		35,200	67,647
Other income and gains		26,780	96
General and administrative expenses		(42,867)	(38,439)
Other operating expenses		(62,014)	(107,353)
Loss from operations	5	(42,901)	(78,049)
Finance costs	6	(9,057)	(5,694)
Loss before taxation		(51,958)	(83,743)
Taxation	7	(992)	(8,774)
Loss for the period		(52,950)	(92,517)
Loss for the period attributable to:			
Owners of the Company		(32,265)	(91,103)
Minority interests		(20,685)	(1,414)
		(52,950)	(92,517)
Loss per share			
— Basic	9	(0.25) HK cents	(0.70) HK cents
— Diluted		N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(52,950)	(92,517)
Other comprehensive income:		
Exchange differences arising from translation of foreign operations	1,256	1,525
Total comprehensive loss for the period	(51,694)	(90,992)
Attributable to:		
Owners of the Company	(31,449)	(90,110)
Minority interests	(20,245)	(882)
	(51,694)	(90,992)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		30 June 2012	31 December 2011	1 January 2011
	<i>Notes</i>	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Audited)	(Audited)
			(Restated)	(Restated)
ASSETS				
<i>Non-current assets</i>				
Property, plant and equipment		300,196	283,678	239,516
Investment properties		—	—	153,501
Investment in associates	10	579,657	—	—
Prepaid lease payments		—	1,433	89,423
Exploration and evaluation assets		—	—	3,340,576
Mining rights		2,694,123	2,756,137	3,318,288
Other financial assets	11	1,047,229	54,591	—
		4,621,205	3,095,839	7,141,304
<i>Current assets</i>				
Inventories		170,926	182,142	193,879
Trade receivables	12	76,694	—	—
Prepayments, deposits and other receivables		211,703	168,539	166,909
Tax recoverable		38,322	11,463	11,349
Cash and cash equivalents		81,072	24,305	138,381
		578,717	386,449	510,518
Non-current assets classified as held for sales		—	2,646,811	—
		578,717	3,033,260	510,518
Total assets		5,199,922	6,129,099	7,651,822

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 30 June 2012

	30 June 2012	31 December 2011	1 January 2011
<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited) (Restated)	HK\$'000 (Audited) (Restated)
CAPITAL AND RESERVES			
Share capital	212,842	208,041	200,961
Reserves	3,063,613	3,026,194	3,397,721
	3,276,455	3,234,235	3,598,682
Non-controlling interests	664,532	1,805,638	2,037,890
Total equity	3,940,987	5,039,873	5,636,572
LIABILITIES			
<i>Non-current liabilities</i>			
Deferred tax liabilities	693,422	693,422	1,647,950
Provision for environmental and resources tax	97,847	97,847	118,078
	791,269	791,269	1,766,028
<i>Current liabilities</i>			
Trade payables	77,321	73,864	22,610
Other payables and accruals	110,921	80,210	121,124
Bank borrowings	195,423	59,870	105,254
Other financial liabilities	23,000	23,000	—
Amounts due to related parties	60,755	60,755	—
Tax payables	246	258	234
	467,666	297,957	249,222
Total liabilities	1,258,935	1,089,226	2,015,250
Total equity and liabilities	5,199,922	6,129,099	7,651,822
Net current assets	111,051	2,735,303	261,296
Total assets less current liabilities	4,732,256	5,831,142	7,402,600
Net assets	3,940,987	5,039,873	5,636,572

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Share Capital	Share Premium	Share	Contributed Surplus	Capital Reserve	Special Reserve	Fair value Reserve	Statutory Reserve	Exchange Reserve	Accumulated Loss	Sub-total	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	HK\$'000
At 1 January 2011 (Audited, as restated)	200,961	2,122,285	31,350	(894)	—	—	11,695	200,888	1,032,397	3,598,682	2,037,890	5,636,572	
Placing of 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, as restated)	208,041	2,256,805	31,350	(894)	—	—	11,695	202,413	941,294	3,650,704	2,036,476	5,687,180	
At 1 January 2012 (Audited, as restated)	208,041	2,256,805	31,350	(894)	—	—	12,677	185,369	540,887	3,234,235	1,805,638	5,039,873	
Placing of shares	4,800	73,200	—	—	—	—	—	—	—	78,000	—	78,000	
Disposal of subsidiaries	—	—	—	—	—	—	—	(4,770)	(4,770)	(1,125,192)	(1,120,422)	(1,125,192)	
Total comprehensive income for the period	—	—	—	—	—	—	—	1,256	(32,266)	(31,010)	(20,684)	(51,694)	
At 30 June 2012 (Unaudited)	212,841	2,330,005	31,350	(894)	—	—	12,677	181,855	508,621	3,276,455	664,532	3,940,987	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	(55,972)	(182,278)
Net cash outflow from investing activities	(84,273)	(26,033)
Net cash inflow from financing activities	200,525	99,997
Net increase/(decrease) in cash and cash equivalents	60,280	(108,314)
Cash and cash equivalents at the beginning of the period	24,305	138,381
Effect of foreign exchange rate change, net	(3,513)	1,525
Cash and cash equivalents at the end of the period	81,072	31,592
Analysis of balance of cash and cash equivalents		
Cash and bank balances	81,072	31,592

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 and trading of mineral resources, and (ii) property management operation.

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 ACCOUNTING 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 2011.

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.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets

The adoption of the above new and revised HKFRSs in the current interim period has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s unaudited condensed consolidated financial statements.

The Group has not applied any new or revised HKFRSs that have been issued but are not yet effective for the current accounting period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

3. REVENUE

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Property management fee income	3,232	1,979
Sales of molybdenum concentrate	191,383	211,267
	194,615	213,246

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 2012 (Unaudited)			
	Mining operations	Property leasing	Property management	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	191,383	—	3,232	194,615
Segment result	(58,108)	—	435	(57,673)
Unallocated revenue				26,780
Unallocated expenses				(21,065)
Loss before tax				(51,958)
Taxation				(992)
Loss for the period				(52,950)

Other segment information:

	Mining operations			Property leasing	Property management	Others	Total
	Mining exploitation	Mining exploration	Trading of mineral resources				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation and amortisation	88,826	—	—	—	1	427	89,254
Capital expenditures	10,241	—	—	—	—	—	10,241

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

	For the six months ended 30 June 2011 (Unaudited)			
	Mining operations	Property leasing	Property management	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	211,267	—	1,979	213,246
Segment result	(73,266)	—	357	(72,909)
Unallocated revenue				96
Unallocated expenses				(10,930)
Loss before tax				(83,743)
Taxation				(8,774)
Loss for the period				(92,517)

Other segment information:

	Mining operations						
	Mining exploitation	Mining exploration	Trading of mineral resources	Property leasing	Property management	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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

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

	As at 30 June 2012 (Unaudited)						
	Mining operations						
	Mining exploitation	Mining exploration	Trading of mineral resources	Property leasing	Property management	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	3,019,947	1,074,790	—	—	1,741	1,103,444	5,199,922
Segment liabilities	1,137,931	—	—	—	1,303	119,701	1,258,935

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

As at 31 December 2011 (Audited, as restated)

	Mining operations						
	Mining exploitation	Mining exploration	Trading of mineral resources	Property leasing	Property management	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	2,907,953	376,000	4,265	—	490	2,840,391	6,129,099
Segment liabilities	968,093	94,000	71	—	486	26,576	1,089,226

5. LOSS FROM OPERATIONS

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

	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Cost of inventories	159,415	143,987
Depreciation of property, plant and equipment	27,240	16,743
Operating lease payment in respect of premises	942	848
Directors' emoluments	560	562
Staff cost		
— Salaries and allowance	7,124	6,127
— Contributions to retirement scheme	911	809
Included in other operating expenses:		
Amortisation of prepaid lease payment	—	1,195
Amortisation of mining rights	62,014	28,148
Impairment loss on mining rights	—	78,000

6. FINANCE COSTS

	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Interest on bank loans wholly repayable within five years	9,057	5,694

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

7. TAXATION

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — PRC enterprise income tax provision for the period	992	8,774

- (i) The provision for Hong Kong Profits Tax is calculated at 16.5% (2011: 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 2011: 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.

8. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

9. 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\$32,265,000 (six months ended 30 June 2011: HK\$91,103,000) for six months ended 30 June 2012 and on the weighted average number of 13,052,340,457 shares (six months ended 30 June 2011: 12,944,265,061) in issue during the period.

(b) Diluted loss per share

There were no potential dilutive share in existence for the six months ended 30 June 2012 and 2011, and accordingly, no diluted loss per share has been presented.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

10. INVESTMENT IN ASSOCIATES

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Unlisted shares, at cost		
Hong Kong	—	1
PRC	579,657	46,706
	579,657	46,707
Disposal of associates	—	(46,707)
	579,657	—

As at 30 June 2012, the Group had the interest in the following associate:

Name of associate:	Jilin Province Rui Sui Kuang Ye Company Limited ("Rui Sui")
Registered and Paid up capital:	RMB15,000,000
Country of Incorporation:	PRC
Percentage of interest held:	25%
Principal activities:	Exploration of iron and molybdenum mine

As at 31 December 2011, the Group has 51% of equity interest of Rui Sui and classified as subsidiary of the Group. During the period ended 30 June 2012, the Group disposed 26% of equity interest of Rui Sui, and the remaining 25% of equity interest of Rui Sui has been classified as associate of the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

11. OTHER FINANCIAL ASSETS

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Promissory notes receivables	1,047,229	54,591

During the year ended 31 December 2011, the Group entered into a subscription agreement with Shaanxi Ding Jin Mining Company Limited (the "Ding Jin"), pursuant to which the Group is eligible to subscribe for the promissory notes to be issued by Ding Jin. As at 30 June 2012, the Group subscribed approximately HK\$447,229,000 of the promissory notes issued by Ding Jin.

During the period ended 30 June 2012, the Group disposed of 26% equity interests in Jilin Province Rui Sui Kuang Ye Company Limited ("Rui Sui") at a consideration of HK\$600,000,000 by way of a promissory notes issued by Shan Xi Fu Chuan Mining Company Limited.

12. TRADE RECEIVABLES

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Trade receivables	83,693	6,999
Less: Impairment loss recognised	(6,999)	(6,999)
	76,694	—

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
0–30 days	21,643	—
31–60 days	16,524	—
61–90 days	38,527	—
Over 180 days	6,999	6,999
	83,693	6,999
Less: Impairment loss recognised	(6,999)	(6,999)
	76,694	—

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

(i) **Sales of molybdenum concentrate**

Sales of molybdenum concentrates are largely on cash basis with no credit terms being granted to customers, except for sizable customers with good credit history, the Group will allow a credit term of no more than 30 days.

(ii) **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.

13. TRADE PAYABLES

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
0–30 days	62,836	52,610
31–60 days	14,485	10,081
61–90 days	—	5,611
Over 180 days but within one year	—	5,562
	77,321	73,864

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

14. PRIOR YEAR ADJUSTMENTS

In October 2008, the Group acquired 51% equity interests in Jilin Province Rui Sui Kuang Ye Company Limited ("Rui Sui") at a consideration of RMB7,650,000 (approximately HK\$8,644,000). As at the date of business combination, Rui Sui had (i) an exploration right to an iron mine located at Da Nan Gou, Jin Dou Xiang, Tong Hua of the Jilin Province of the PRC ("Iron Exploration Right"); and (ii) an exploration right of a molybdenum mine located at Fu Fong Xian, Baishan City, Jilin Province of the PRC which expired as at the date of business combination ("Molybdenum Exploration Right") (collectively the "Exploration Rights").

The fair value of the Iron Exploration Right and Molybdenum Exploration Right have not been recognised as at the date of business combination but had been recognised initially at costs and subsequently measured at fair value as at 31 December 2008 and 31 December 2009 respectively under the revaluation model in accordance with HKFRS 6 "Exploration for and Evaluation of Mineral Resources". In accordance with HKFRS 3 "Business Combination", the fair value of the Exploration Rights should have been recognised as at the date of business combination. In addition, deferred tax liabilities for Iron Exploration Right have not been recognised as at the date of business combination. As a result of the consequence and other restatements required, comparative figures have been restated.

For the year ended 31 December 2008

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December 2008 HK\$'000
Loss for the year, as previously reported	(62,794)
Increase in other revenue for negative goodwill arising from acquisition of Rui Sui after the recognition of the fair value for the Iron Exploration Right and Molybdenum Exploration Right (<i>Note (a)</i>)	1,245,665
Profit for the year, as restated	1,182,871
Loss per share, HK cents, as previously reported	(1.03)
Earning per shares, HK cents, as restated	22.59

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2008			
	Previously Stated HK\$'000	Adjustments HK\$'000	Notes	Restated HK\$'000
Assets and liabilities				
Exploration and evaluation assets	888,579	2,382,324	(b)	3,270,903
Deferred taxation	(30,536)	(814,142)	(a)	(844,678)
Total effect on assets and liabilities	858,043	1,568,182		2,426,225
Equity				
Fair value reserves	(445,877)	445,877	(c)	—
Accumulated losses/ (Retained profits)	297,492	(1,245,665)	(a)	(948,173)
Minority interests	(436,699)	(768,394)		(1,205,093)
Total effect on equity	(585,084)	(1,568,182)		(2,153,266)

For the years ended 31 December 2009 and 2010

There was no effect to the consolidated income statements arising from the prior year adjustment for the years ended 31 December 2009 and 2010.

The cumulative effect of the adjustments as at 31 December 2009 are summarised below:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2009			Restated HK\$'000
	Previously stated HK\$'000	Adjustments (Note (d)) HK\$'000	Adjustments (Note (e))	
Assets and liabilities				
Deferred taxation	(1,391,174)	—	(218,561)	(1,609,735)
Equity				
Fair value reserves	(1,357,758)	1,357,758	—	—
Exchange reserves	(19,213)	(627)	—	(19,840)
Retained profits	(482,305)	(1,357,131)	111,466	(1,727,970)
Non-controlling interests	(2,202,083)	—	107,095	(2,094,988)
Total effect on equity	(4,061,359)	—	—	(3,842,798)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

The cumulative effect of the adjustments as at 31 December 2010 are summarised below:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Previously stated HK\$'000	As at 31 December 2010		Restated HK\$'000
		Adjustments (Note (d)) HK\$'000	Adjustments (Note (e))	
Assets and liabilities				
Deferred taxation	(1,429,389)	—	(218,561)	(1,647,950)
Equity				
Fair value reserves	(1,357,758)	1,357,758	—	—
Exchange reserves	(200,261)	(627)	—	(200,888)
Accumulated losses	213,268	(1,357,131)	111,466	(1,032,397)
Non-controlling interests	(2,144,985)	—	107,095	(2,037,890)
Total effect on equity	(3,489,736)	—	—	(3,271,175)

For the year ended 31 December 2011

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December 2011 HK\$'000
Loss for the year, as previously reported	(938,335)
Decrease in other operating expenses resulting from decrease in impairment loss on re-measurement of asset held for sales (Note (f))	218,561
Loss for the year, as restated	(719,774)
Loss per share, HK cents, as previously reported	(4.62)
Loss per shares, HK cents, as restated	(3.80)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2011				Restated HK\$'000
	Previously stated HK\$'000	Adjustments (Note (d)) HK\$'000	Adjustments (Note (e)) HK\$'000	Adjustments (Note (f)) HK\$'000	
<i>Assets and liabilities</i>					
Deferred taxation	(693,422)	—	(218,561)	218,561	(693,422)
<i>Equity</i>					
Fair value reserves	(1,357,758)	1,357,758	—	—	—
Exchange reserves	(184,742)	(627)	—	—	(185,369)
Accumulated losses	816,244	(1,357,131)	111,466	(111,466)	(540,887)
Non-controlling interests	(1,805,638)	—	107,095	(107,095)	(1,805,638)
Total effect on equity	(2,531,894)	—	—	—	(2,531,894)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

Notes:

- (a) The adjustment represents the increase in negative goodwill resulting from the recognition of fair value for the Iron Exploration Right and Molybdenum Exploration Right as at the date of business combination.

The net identifiable assets acquired for Rui Sui and the negative goodwill is summarised below:

	Previously stated HK\$'000	Adjustments HK\$'000	Restated HK\$'000
<i>Net identifiable assets acquired:</i>			
Prepayments, deposits and other Receivables	7,152		7,152
Cash and bank balances	1,627		1,627
Exploration and evaluation assets	9,139	3,256,570*	3,265,709
Accruals and other payables	(917)		(917)
Deferred taxation	—	(814,142) [#]	(814,142)
	17,001		2,459,429
Minority interests	(8,357)		(1,205,120)
	8,644		1,254,309
Total consideration satisfied by:			
Cash			(8,644)
Negative goodwill			1,245,665

* The adjustment represents the fair value of (i) the Iron Exploration Right of approximately HK\$874,246,000; (ii) the Molybdenum Exploration Right of approximately HK\$2,382,324,000 and the related deferred taxation expenses.

[#] The adjustment represents the recognition of deferred tax liabilities of (i) approximately HK\$218,561,000 for Iron Exploration Rights; and (ii) approximately HK\$595,581,000 for Molybdenum Exploration Rights.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

- (b) As at 31 December 2008, the carrying value of the exploration and evaluation assets of approximately HK\$888,579,000, as originally reported includes (i) the costs of approximately HK\$9,139,000 arising from the acquisition of Rui Sui; (ii) recognition of fair value of Iron Exploration Right of approximately HK\$874,246,000; and (iii) addition of approximately HK\$5,194,000.

The adjustment represents the recognition for the fair value of the Molybdenum Exploration Right previously recognised as surplus in revaluation as at 31 December 2009 which should be recognised at the date of business combination.

- (c) The adjustment represents the reversal of fair value reserves to reflect the recognition of fair value of the exploration and evaluation assets as at the date of business combination.
- (d) The adjustment represents (i) the reversal of fair value reserves of approximately HK\$1,357,131,000 to reflect the cumulative effect for the recognition of negative goodwill arising from the business combination of Rui Sui against the increase in fair value of the exploration and evaluation assets; and (ii) the related exchange adjustments of approximately HK\$627,000.
- (e) The adjustment represents the cumulative effect for the increase in deferred taxation arising from recognition of deferred taxation for Iron Exploration Right as at the date of business combination.
- (f) Subsequent to the year ended 31 December 2011, 26% equity interests in Rui Sui has been disposed of and the carrying value of which were accounted for as "Non-current assets classified as held for sales". The adjustment represents the reduction in the amounts of impairment loss on re-measurement of non-current asset held for sales for the year ended 31 December 2011 of approximately HK\$218,561,000 (being approximately HK\$111,464,000 attributable to the owners of the Company and approximately HK\$107,095,000 attributable to non-controlling interests) resulting from the recognition of deferred taxation of Iron Exploration Right as at the date of business combination.

The assets and liabilities of Rui Sui classified as non-current assets held for sales is summarised below:

	Previously stated HK\$'000	Adjustments HK\$'000	Restated HK\$'000
Exploration and evaluation assets	3,343,587		3,343,587
Other payables and accruals	(64,619)		(64,619)
Deferred tax liabilities	(595,581)	(218,561)	(814,142)
	2,683,387		2,464,826
Less: impairment loss on re-measurement of assets held for sales	(375,695)	218,561	(157,134)
	2,307,692		2,307,692

ADDITIONAL INFORMATION

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2012, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2012, 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 share capital of the Company
Qian Yong Wei ("Mr. Qian") (Note 1)	Beneficial owner	25,000,000	0.19%
	Held by controlled corporation	6,114,438,552	45.96%
		6,139,438,552	46.15%
Xu Zhe Cheng ("Ms. Xu") (Note 2)	Held by spouse	6,139,438,552	46.15%
China Wan Tai Group Limited ("China Wan Tai") (Note 3)	Held by controlled corporation	6,114,438,552	45.96%
Universal Union Limited ("Universal Union")	Beneficial owner	6,114,438,552	45.96%
Chu Yuet Wah ("Mrs. Chu") (Note 4)	Held by controlled corporation	3,052,907,719	22.94%
Best Forth Limited ("Best Forth") (Note 4)	Held by controlled corporation	3,052,907,719	22.94%
Ample Cheer Limited ("Ample Cheer") (Note 4)	Held by controlled corporation	3,052,907,719	22.94%
Kingston Finance Limited ("Kingston") (Note 4)	Security interest in shares	3,052,907,719	22.94%
Soong Kung Yuan ("Mr. Soong") (Note 5)	Beneficial owner	1,000,000,000	7.52%

ADDITIONAL INFORMATION (Cont'd)

Notes:

1. Mr. Qian personally held 25,000,000 shares in the Company, and held 95% interest in China Wan Tai. China Wan Tai held 100% interest in Universal Union. Universal Union held 6,114,438,552 shares in the Company.
2. Ms. Xu is the spouse of Mr. Qian. The interest of Mr. Qian was deemed to be Ms. Xu's interest.
3. These shares are held by Universal Union, a wholly owned subsidiary of China Wan Tai which is in turn beneficially owned by Mr. Qian and Ms. Xu as to 95% and 5% respectively.
4. Mrs. Chu held 100% interest in Best Forth. Best Forth held 80% interest in Ample Cheer and Ample Cheer held 100% interest in Kingston. Kingston is deemed to have a security interest in 3,052,907,719 shares in the Company held by Universal Union. Accordingly, Mrs. Chu, Best Forth and Ample Cheer are also deemed to have security interest in 3,052,907,719 shares in the Company.
5. Pursuant to a placing agreement entered into between the Company as issuer and Mr. Soong as placee on 31 May 2012, the Company has issued and allotted 300,000,000 new Shares to Mr. Soong. Pursuant to the convertible notes option subscription agreement entered into between the Company as issuer and Mr. Soong as potential subscriber also on 31 May 2012, among others, Mr. Soong is entitled to the convertible notes ("CN") option to fully or partially subscribe for up to HK\$252,000,000 zero coupon transferable CN within the option period as stipulated therein. Assuming the conversion rights attaching to the CN are exercised in full at the conversion price of HK\$0.36, a maximum of 700,000,000 conversion Shares will be allotted to Mr. Soong. Accordingly, Mr. Soong is interested in 300,000,000 Shares and has derivative interests in 700,000,000 underlying Shares.
6. All interests stated above represent long position.

Save as disclosed above, the Directors and chief executive of the Company were not aware of any persons who, as at 30 June 2012, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or, who was, directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

ADDITIONAL INFORMATION (Cont'd)

SHARE OPTION SCHEME

During the period of the six months ended 30 June 2012, no share option had been granted, exercised, lapsed or was cancelled under the 2011 Share Option Scheme. The following table discloses the details of the share options outstanding:

Category of participant	Number of share options			Outstanding as at 30.06.2012	Date of grant	Exercisable period	Exercise price HK\$
	Outstanding as at 01.01.2012	Granted during the period	Exercised during the period				
Consultant	500,000	—	—	500,000	26.07.2011	26.07.2011–25.07.2013	0.355

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 2012.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2012, the Company had applied the principles of the Corporate Governance Code ("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:

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. During the six months period ended 30 June 2012, Mr. Gao Yuan Xing performed the roles of the Chairman and the Chief Executive Officer of the Company. 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.

ADDITIONAL INFORMATION (Cont'd)

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 chairman may in conjunction with the other directors from time to time review the composition of the Board with particular regard to ensuring that there is an appropriate number of directors on the Board independent of management.

Under the code provision A.6.7 of the Code, independent non-executive directors and other non-executive directors should, inter alia, attend general meetings. Due to personal and other important engagement at the relevant time, these Directors were absent from the general meetings of the Company held earlier this year.

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 has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company confirmed that all Directors had fully complied with the required standard set out in the Model Code for the six month period ended 30 June 2012.

ADDITIONAL INFORMATION (Cont'd)

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Messrs. Mu Xiangming, Cheng Chak Ho and Lo Wa Kei Roy. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting process and internal control of the Group. The audit committee has reviewed the Group's interim results for the six months ended 30 June 2012.

By order of the Board

Gao Yuan Xing

Chairman

Hong Kong, 29 August 2012