



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 2016

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Yang Ying Min

(Chairman and Chief Executive Officer)

Qian Yi Dong *(Deputy Chairman)*

Zhang Jia Kun

Li Li Juan

Independent Non-executive Directors

William Fong

Leung Kar Fai

Cheng Chak Ho

COMPANY SECRETARY

Yuen Wing Kwan (resigned with effect from 8 June 2016)

Ho Wing Yan (appointed with effect from 8 June 2016)

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

Citibank

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

CITIC Ka Wah Bank 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

Rosebank Centre

11 Bermudiana Road

Pembroke HM08

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

STOCK CODE

433

WEBSITE

www.northmining.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL FINANCIAL PERFORMANCE

For the six months ended 30 June 2016, North Mining Shares Company Limited (the “Company”) and its subsidiaries (collectively the “Group”) recorded a revenue of approximately HK\$118,527,000 (30 June 2015: approximately HK\$200,028,000), representing a decrease of approximately 40.7% over the same period in 2015.

During the period under review, the loss recorded by the Group was approximately HK\$12,437,000 (30 June 2015: loss of approximately HK\$14,529,000), representing a decrease in loss of approximately 14% over the same period in 2015.

BUSINESS REVIEW

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

Mining Operations — Exploitation and Exploration and Trading of Mineral Resources

During the period under review, the volume of molybdenum concentrate produced was about 97 tonnes (30 June 2015: 2,146 tonnes), whereas the grade of molybdenum concentrate was approximately 42% — 45%. The average selling price of molybdenum concentrate was approximately HK\$65,547 per tonne. During the period under review, the mining operation contributed a revenue of approximately HK\$114,985,000 (30 June 2015: approximately HK\$196,327,000) to the Group, of which approximately HK\$111,758,000 was contributed by sales of molybdenum concentrate (30 June 2015: approximately HK\$184,154,000) and approximately HK\$3,227,000 was contributed by sales of sulfuric acid and iron concentrate (30 June 2015: approximately HK\$12,173,000). The cost of sales was approximately HK\$107,922,000 (30 June 2015: approximately HK\$151,127,000). The gross profit was amounted to approximately HK\$7,063,000 (30 June 2015: approximately HK\$48,901,000). During the six months ended 30 June 2016, the Group recognised an amortisation of mining rights of approximately HK\$3,063,000 (30 June 2015: approximately HK\$38,881,000).

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Property management operations

During the period under review, the performance of the Group's property management operations was relatively stable. For the six months ended 30 June 2016, the turnover generated from the property management operation was approximately HK\$3,542,000, representing a decrease of approximately 4.3% over the corresponding period of last year of HK\$3,701,000 and the decrease was mainly due to the effect of exchange rate differences.

Other Financial Assets

Details of the financial assets held by the Group are set out below:

Ding Jin Promissory Note

During the year ended 31 December 2011, the Group has entered into a subscription agreement with Shannxi Ding Jin Mining Company Limited ("Ding Jin"), pursuant to which the Company is eligible to subscribe for the promissory note issued by Ding Jin. The principal amount of the promissory note was HK\$500 million and carried at a total of 20% interest which is payable 5 years from the date of issuance of this promissory note.

During the period ended 30 June 2016, imputed interest income which amounted to approximately HK\$14,137,000 (2015: approximately HK\$13,462,000) has been generated from holding such promissory note.

Bai Shan Promissory Note

During the year ended 31 December 2013, the Group has disposed 25% equity interest in Rui Sui Kuang Ye Company Limited* in return for a promissory note receivable with a face value of HK\$500 million. The maturity date is three years from date of issuance of the promissory note.

During the period ended 30 June 2016, imputed interest income which amounted to approximately HK\$13,226,000 (2015: approximately HK\$12,518,000) has been generated from holding such promissory note.

PROSPECTS

In the first half of 2016, the global economic uncertainties were intensified, while China's economy was also confronted with downward pressure. Nevertheless, the Group will endeavor to keep abreast of the changing market conditions and fine tune its business strategies when the directors of the Company (the "Directors") think appropriate. Moreover, the Group is seeking more strategic opportunities to cooperate with another sizable mining company in order to enhance its economies of scales.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and proceeds from suitable source of funding. During the period under review, the Group recorded a net cash inflow of approximately HK\$524,985,000 (30 June 2015: cash outflow of approximately HK\$63,888,000). The cash inflow was mainly due to the recovery of the investment deposit of approximately HK\$358,252,000 from the Group's investing activities. The Group also had a net cash inflow from financing activities contributed by borrowing of approximately HK\$350,000,000. The current ratio as at 30 June 2016 was approximately 4.21 as contrasted by 5.25 as at 31 December 2015. As at 30 June 2016, the debt to equity ratio as at 30 June 2016 was approximately 0.27 as contrasted by 0.22 as at 31 December 2015. 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 2016, the Group did not have any capital commitment.

INTERIM DIVIDEND

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

CAPITAL STRUCTURE

The capital structure of the Group as at 30 June 2016 has been summarised below:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Current assets	2,619,532	2,546,918
Current liabilities	621,760	485,351
Shareholders' equity	3,442,905	3,540,704

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

TREASURY POLICIES

During the six months ended 30 June 2016, 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 2016, 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 2016, the Group had borrowings of approximately HK\$379,495,000 (31 December 2015: approximately HK\$100,908,000).

CONTINGENT ASSETS AND LIABILITIES

As at 30 June 2016, the Group had no significant contingent assets and liabilities.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2016, the Group employed 496 (30 June 2015: 615) full time employees in Hong Kong and the PRC. Employee remuneration packages are structured and reviewed with reference to the nature of job, market condition and individual merits. The Group also provides other employee benefits which include year-end double pay, mandatory provident fund and medical insurance. Total staff costs for the six months end 30 June 2016 were approximately HK\$6,986,000.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	118,527	200,028
Cost of sales		(108,703)	(151,127)
Gross profit		9,824	48,901
Other income and gains	4	32,132	45,207
General and administrative expenses		(44,644)	(36,338)
Other operating expenses		(5,907)	(71,370)
Loss from operations	6	(8,595)	(13,600)
Finance costs	7	(4,606)	(8,695)
Loss before taxation		(13,201)	(22,295)
Taxation	8	764	7,766
Loss for the period		(12,437)	(14,529)
Attributable to:			
Owners of the Company		(2,224)	(8,168)
Non-controlling interests		(10,213)	(6,361)
Loss for the period		(12,437)	(14,529)
Other comprehensive loss (Net of tax effect):			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign subsidiaries		(94,341)	(41,543)
Other comprehensive loss for the period		(94,341)	(41,543)
Total comprehensive loss for the period		(106,778)	(56,072)
Attributable to:			
Owners of the Company		(97,799)	(48,746)
Non-controlling interests		(8,979)	(7,326)
		(106,778)	(56,072)
Loss per share			
— Basic, HK cents	10	(0.01)	(0.05)
— Diluted, HK cents		(0.01)	(0.05)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
ASSETS			
<i>Non-Current Assets</i>			
Property, plant and equipment		527,204	545,198
Prepaid lease payments		58,111	62,128
Mining rights		1,079,776	1,104,387
Goodwill		13,403	13,403
Loan receivable		187,332	191,068
		1,865,826	1,916,184
<i>Current Assets</i>			
Other financial assets	11	1,072,991	1,045,628
Inventories		291,445	411,032
Investment deposits		100,000	458,252
Trade and bills receivables	12	40,977	16,318
Prepayments, deposits and other receivables		422,720	374,381
Tax recoverables		14,928	15,225
Cash and cash equivalents		676,471	225,362
		2,619,532	2,546,198
Total Assets		4,485,358	4,462,382
CAPITAL AND RESERVES			
Share capital		318,441	318,441
Reserves		3,124,464	3,222,263
Equity attributable to owners of the Company		3,442,905	3,540,704
Non-controlling interests		125,547	134,526
Total Equity		3,568,452	3,675,230

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

As at 30 June 2016

		30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
LIABILITIES			
<i>Non-Current Liabilities</i>			
Deferred tax liabilities		295,146	301,801
		295,146	301,801
<i>Current Liabilities</i>			
Trade payables	13	15,122	76,663
Other payables and accruals		58,361	135,590
Bank loans and other borrowings		379,495	100,908
Amounts due to related parties		51,500	52,527
Provision for environmental and resources tax		93,666	95,534
Tax payables		23,616	24,129
		621,760	485,351
Total Liabilities		916,906	787,152
Total Equity and Liabilities		4,485,358	4,462,382
Net Current Assets		1,997,772	2,060,847
Total Assets less Current Liabilities		3,863,598	3,977,031
Net Assets		3,568,452	3,675,230

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company							Attributable to Non-controlling interests HK\$'000	Total equity HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Share Contributed surplus HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings/(Accumulated loss) HK\$'000			Sub-total HK\$'000
At 1 January 2016	318,441	3,562,405	31,350	(894)	12,677	30,105	(413,380)	3,540,704	134,526	3,675,230
Loss and total comprehensive loss for the period	-	-	-	-	-	(95,575)	(2,224)	(97,799)	(8,979)	(106,778)
At 30 June 2016	318,441	3,562,405	31,350	(894)	12,677	(65,470)	(415,604)	3,442,905	125,547	3,568,452
At 1 January 2015	265,641	3,283,205	31,350	(894)	12,677	300,887	22,839	3,915,705	408,269	4,323,974
Loss and total comprehensive loss for the period	-	-	-	-	(40,578)	(8,168)	(48,746)	(7,326)	(56,072)	(41,543)
At 30 June 2015	265,641	3,283,205	31,350	(894)	12,677	260,309	14,671	3,866,959	400,943	4,267,902

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(109,221)	(19,843)
Net cash generated from/(used in) investing activities	358,252	(300)
Net cash generated from/(used in) financing activities	275,954	(43,745)
Net increase/(decrease) in cash and cash equivalents	524,985	(63,888)
Cash and cash equivalents at 1 January	225,362	102,238
Effect of foreign exchange rate changes, net	(73,876)	(35,342)
Cash and cash equivalents at 30 June	676,471	3,008
Analysis of balances of cash and cash equivalents		
Cash and bank balances	676,471	3,008

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 10 April 1995 under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at Rooms 1505-07, 15/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Company are investment holding and property investment. The principal activities of the Company and its subsidiaries (the "Group") are mining operation and property management operation.

In the opinion of the directors of the Company (the "Directors"), the Company's ultimate and immediate holding company is China Wan Tai Group Limited, which was incorporated in Hong Kong.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the Unaudited Condensed Consolidated Interim Financial Statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

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 2015 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.

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, a number of amendments to HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2015.

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

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

3. REVENUE

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Sales of molybdenum concentrate	114,985	184,154
Trading of minerals resources	–	12,173
Property management fee income	3,542	3,701
	118,527	200,028

4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Bank interest income	5	–
Imputed interest income arising from promissory notes	27,363	44,951
Loan interest income	4,754	–
Sundry income	10	256
	32,132	45,207

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

5. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

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

Other segment information:

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

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

	For the six months ended 30 June 2015 (Unaudited)		
	Mining operations	Property management	Total
	HK\$'000	HK\$'000	HK\$'000
Segment revenue	196,327	3,701	200,028
Segment results	(26,015)	(7)	(26,022)
Unallocated revenue			44,951
Unallocated expenses			(41,224)
Profit before taxation			(22,295)
Taxation			7,766
Profit for the period			(14,529)

Other segment information:

	Property management	Mining exploitation	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation and amortisation	–	50,920	–	50,920
Capital expenditures	–	271	–	271

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

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

	As at 30 June 2016 (Unaudited)			Total HK\$'000
	Property management HK\$'000	Mining exploitation HK\$'000	Others HK\$'000	
Segment assets	1,001	2,259,624	2,224,730	4,485,355
Segment liabilities	1,337	600,903	314,663	916,903

	As at 31 December 2015 (Audited)			Total HK\$'000
	Property management HK\$'000	Mining exploitation HK\$'000	Others HK\$'000	
Segment assets	460	1,288,140	3,173,782	4,462,382
Segment liabilities	799	781,149	5,204	787,152

6. LOSS FROM OPERATIONS

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

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Cost of inventories	107,922	151,127
Depreciation of property, plant and equipment	12,716	9,003
Operating lease payments in respect of offices premises	1,120	2,653
Director's emoluments	211	571
Staff costs (including directors' remuneration)		
— Wages and salaries	6,986	9,628
— Retirement benefits contributions	155	771
Amortisation of prepaid lease payment	2,844	3,036
Amortisation of mining rights	3,063	38,881

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

7. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings wholly repayable within five years	4,606	8,695

8. TAXATION

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC corporate income tax	2	1,954

- (i) The provision for Hong Kong Profits Tax is calculated at 16.5% (2015: 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 2015: 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.

Deferred tax amounted to approximately HK\$766,000 (2015: approximately HK\$9,720,000) has been unwounded as a result of amortisation of mining right for the period ended 30 June 2016.

9. DIVIDEND

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

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

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\$2,224,000 for six months ended 30 June 2016 (six months ended 30 June 2015: profit attributable to owners of the Company of approximately HK\$8,168,000) and on the weighted average number of 19,902,616,709 shares in issue during the period (six months ended 30 June 2015: 15,223,246,846).

(b) Diluted loss per share

There were no potential dilutive shares in existence for the six months ended 30 June 2016 and 2015, and accordingly, diluted loss per share equal to basic loss per share.

11. OTHER FINANCIAL ASSETS

Other financial assets represent present value of promissory notes receivables, details of which are set out below:

Ding Jin Promissory Note

During the year ended 31 December 2011, the Group has entered into a subscription agreement with Shannxi Ding Jin Mining Company Limited ("Ding Jin"), pursuant to which the Company is eligible to subscribe for the promissory note issued by Ding Jin. The principal amount of the promissory note was HK\$500 million and carried at a total of 20% interest which is payable 5 years from the date of issuance of this promissory note.

During the period ended 30 June 2016, imputed interest income which amounted to approximately HK\$14,137,000 (2015: approximately HK\$13,462,000) has been generated from holding such promissory note.

Bai Shan Promissory Note

During the year ended 31 December 2013, the Group has disposed 25% equity interest in Rui Sui Kuang Ye Company Limited* in return for a promissory note receivable with a face value of HK\$500 million. The maturity date is three years from date of issuance of the promissory note.

During the period ended 30 June 2016, imputed interest income which amounted to approximately HK\$13,226,000 (2015: approximately HK\$12,518,000) has been generated from holding such promissory note.

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

12. TRADE AND BILLS RECEIVABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade and bills receivables	40,977	16,318

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
0–30 days	39,218	9,133
31–60 days	879	479
61–90 days	76	–
91–180 days	804	1,927
Over 180 days but within one year	–	4,779
	40,977	16,318

13. TRADE PAYABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
0–30 days	916	6,699
31–60 days	37	396
61–90 days	–	103
91–180 days	582	1,076
Over 180 days but within one year	13,587	68,389
	15,122	76,663

The Directors consider that the carrying amounts of trade payables approximate to their fair values at the end of reporting period.

ADDITIONAL INFORMATION

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2016, 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 2016, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as was known to the Directors or chief executive of the Company, the following persons had, or was deemed or taken to have, an interest or short position in the shares or underlying shares of the Company:

Name of shareholders	Capacity	Number of shares/ underlying shares held	Approximate percentage interest in the issued voting shares of the Company
Qian Yong Wei ("Mr. Qian") (Note 1)	Beneficial owner Held by controlled corporation	11,500,000	0.06%
		3,729,808,552	18.74%
		3,741,308,552	18.80%
Xu Zhe Cheng ("Ms. Xu") (Note 2)	Held by spouse	3,741,308,552	18.80%
China Wan Tai Group Limited ("China Wan Tai") (Note 3)	Held by controlled corporation	3,729,808,552	18.74%
Universal Union Limited ("Universal Union")	Beneficial owner	3,729,808,552	18.74%
China Huarong International Holdings Limited ("Huarong") (Note 4)	Held by controlled corporation	4,898,000,000	24.61%
Gu Jie ("Mr. Gu") (Note 5)	Beneficial owner	1,876,580,000	9.43%

ADDITIONAL INFORMATION (Cont'd)

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 3,729,808,552 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 Limited ("Driven"), a wholly-owned subsidiary of Huarong, held 128,000,000 shares in the Company. (ii) Mr. Gu charged his 1,870,000,000 shares to Huarong on 11 December 2014. (iii) On 2 September 2015, the Company and Driven entered into the Placing Agreement pursuant to which the Company has conditionally agreed to allot and issue, and Driven has conditionally agreed to subscribe for 2,900,000,000 new shares in the Company at a price of HK\$0.08 each ("Placing Shares"). Afterwards, the conditions of the Placing Agreement were satisfied and the Placing was completed by issue and allotment of 2,900,000,000 Placing Shares to Driven on 17 September 2015.
5. 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 Huarong on 11 December 2014.
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 2016, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or, who was, directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

ADDITIONAL INFORMATION (Cont'd)

SHARE OPTION SCHEME

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

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

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

On 26 July 2011, the Company granted 500,000 share options to a consultant of the Company with 3 years of exercisable period from 26 July 2011 to 25 July 2013. Upon the expiry of exercise period, no share option was exercised, all outstanding share options granted under the Share Option Scheme had been lapsed. No share option remained outstanding and exercisable under the Share Option Scheme as at 30 June 2016.

During the period of the six months ended 30 June 2016, no share option had been granted, exercised, lapsed, or was cancelled under the Share Option Scheme.

As at 30 June 2016, total number of share available for issue under the Share Option Scheme was 1,299,761,670, representing 6.53% of the issued share capital of the Company as at 30 June 2016.

ADDITIONAL INFORMATION (Cont'd)

CHANGES IN THE INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the change in the information of Directors during the period of the six months ended 30 June 2016 is set out below:

Mr. Yang Ying Min has been appointed as the Chairman of the Board on 4 January 2016.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2016, the Company has applied the principles of the Corporate Governance Code ("the Code") as set out in Appendix 14 to 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. Gao Yuan Xing resigned as the Chairman of the Board and executive Director on 4 January 2016 due to his other business engagement which requires more of his attention. Mr. Yang Ying Min ("Mr. Yang"), the Chief Executive Officer of the Company has been appointed as the Chairman with effect from 4 January 2016.

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 the consistent leadership of the Group and enabling the Group to make and implement decisions promptly and thus achieving the Group's objectives efficiently and effectively in response to the changing environment.

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

ADDITIONAL INFORMATION (Cont'd)

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

However, the Board considers that the setting up of such 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 the Board. The Policy provides a sustainable and balanced development in the Company's strategic objectives. The Board reviews the Policy annually and ensures 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, Dr. Cheng Chak Ho was absent from the 2016 annual general meeting of the Company.

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

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

ADDITIONAL INFORMATION (Cont'd)

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions carried out by the Directors. 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 during the period of the six months ended 30 June 2016.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company comprises three independent non-executive Directors, namely Mr. William Fong, Mr. Leung Kar Fai and Dr. Cheng Chak Ho. The audit committee of the Company shall review the interim and annual financial statements of the Group before their submission to the Board for approval, and review the effectiveness of the financial reporting system, risk management and internal control systems of the Group. The audit committee of the Company has reviewed the Group's interim results for the period of the six months ended 30 June 2016.

On behalf of the Board

Yang Ying Min

Chairman and Chief Executive Officer

Hong Kong
25 August 2016