

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01164)

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### HIGHLIGHTS

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<b>409,926</b>	318,517
Loss attributable to owners of the Company	<b>(35,708)</b>	(39,852)
Basic loss per share	<b>HK(1.07) cents</b>	HK(1.20) cents
Diluted loss per share	<b>HK(1.07) cents</b>	HK(1.20) cents
Interim dividend per share	<b>Nil</b>	Nil

- Turnover of the Group was approximately HK\$409.9 million representing an increase of approximately 29% year-on-year;
- Loss attributable to owners of the Company was approximately HK\$35.7 million representing a decrease of approximately 10% year-on-year;
- Basic loss per share was approximately HK1.07 cents;
- The directors of the Company do not recommend the payment of an interim dividend.

The board of directors (the “Board”) of CGN Mining Company Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2014, together with the comparative figures for the corresponding period of 2013 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover	3	409,926	318,517
Cost of sales		<u>(392,733)</u>	<u>(294,751)</u>
Gross profit		17,193	23,766
Other operating income		13,182	8,338
Selling and distribution expenses		(4,302)	(4,893)
Administrative expenses		(46,047)	(43,280)
Changes in fair value of investment properties		(138)	(11,290)
Finance costs	4	<u>(14,089)</u>	<u>(13,350)</u>
Loss before taxation		(34,201)	(40,709)
Income tax (expense) credit	5	<u>(1,519)</u>	<u>675</u>
Loss for the period	7	<u><b>(35,720)</b></u>	<u><b>(40,034)</b></u>
Loss for the period attributable to:			
Owners of the Company		(35,708)	(39,852)
Non-controlling interests		<u>(12)</u>	<u>(182)</u>
		<u><b>(35,720)</b></u>	<u><b>(40,034)</b></u>
Loss per share			
Basic and diluted	9	<u><b>HK(1.07) cents</b></u>	<u><b>HK(1.20) cents</b></u>

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

## Six months ended 30 June

	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

Loss for the period	<u>(35,720)</u>	<u>(40,034)</u>
Other comprehensive (expense) income: Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of financial statements of foreign operation	<u>(2,902)</u>	<u>2,820</u>
Other comprehensive (expense) income for the period	<u>(2,902)</u>	<u>2,820</u>
Total comprehensive expense for the period	<u><b>(38,622)</b></u>	<u><b>(37,214)</b></u>
Total comprehensive expense for the period attributable to:		
Owners of the Company	<u>(38,610)</u>	<u>(37,067)</u>
Non-controlling interests	<u>(12)</u>	<u>(147)</u>
	<u><b>(38,622)</b></u>	<u><b>(37,214)</b></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	<i>Notes</i>	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
<b>Non-current assets</b>			
Intangible assets		177	212
Property, plant and equipment		42,255	45,578
Investment properties		71,796	73,312
Prepaid lease payments on land use rights		18,618	19,265
Goodwill		–	–
		<u>132,846</u>	<u>138,367</u>
<b>Current assets</b>			
Inventories		17,095	21,590
Loan receivables from a shareholder	10	–	248,082
Trade and other receivables	11	44,255	213,456
Prepaid lease payments on land use rights		398	409
Amount due from a fellow subsidiary		1,349,846	–
Income tax recoverable		1,642	–
Bank balances and cash		88,298	1,030,491
		<u>1,501,534</u>	<u>1,514,028</u>
<b>Total assets</b>		<u>1,634,380</u>	<u>1,652,395</u>
<b>Current liabilities</b>			
Trade and other payables	12	44,291	34,586
Value added tax payable		28	289
Income tax payable		4,723	7,582
		<u>49,042</u>	<u>42,457</u>
<b>Net current assets</b>		<u>1,452,492</u>	<u>1,471,571</u>
<b>Total assets less current liabilities</b>		<u>1,585,338</u>	<u>1,609,938</u>
<b>Capital and reserves</b>			
Share capital		33,326	33,326
Reserves		1,004,842	1,043,452
<b>Equity attributable to owners of the Company</b>		<u>1,038,168</u>	<u>1,076,778</u>
<b>Non-controlling interests</b>		<u>1,786</u>	<u>1,798</u>
<b>Total equity</b>		<u>1,039,954</u>	<u>1,078,576</u>
<b>Non-current liabilities</b>			
Convertible bonds		534,794	520,705
Deferred tax liabilities		10,590	10,657
		<u>545,384</u>	<u>531,362</u>
		<u>1,585,338</u>	<u>1,609,938</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL AND BASIS OF PREPARATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liabilities. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are selling, distributing and manufacturing of pharmaceutical and food products, property investment and trading of natural uranium.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) while the functional currency of the Company is United States dollars (“USD”). As the Company is listed in Hong Kong, the directors of the Company consider that it is appropriate to present the condensed consolidated financial statements in HK\$.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

Except as described below, the application of the above new Interpretation and 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.

### *Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities*

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 for the first time in the current interim period. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

#### ***Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities***

The Group has applied the amendments to HKAS 32 for the first time in the current interim period. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The directors of the Company anticipate that the application of the amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities.

#### ***Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets***

The Group has applied the amendments to HKAS 36 for the first time in the current interim period. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (“CGU”) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13.

The directors of the Company anticipate that the application of the amendments to HKAS 36 may result in additional disclosures being made with regard to the impairment assessment on non-financial assets.

#### ***HK(IFRIC) – Int 21 Levies***

The Group has applied HK(IFRIC) – Int 21 for the first time in the current interim period.

HK(IFRIC) – Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of the amendments to HK(IFRIC) – Int 21 will have no material impact to the Group.

### **3. TURNOVER AND SEGMENT INFORMATION**

Turnover represents amount received and receivable from sales of pharmaceutical and food products and natural uranium net of returns, discounts allowed and sales related taxes and gross rental income during the period.

Specifically, the Group’s reportable and operating segments under HKFRS 8 are as follows:

- a) pharmaceutical and food segment engages in selling, distributing and manufacturing of pharmaceutical and food products;
- b) property investment segment engages in leasing, developing and selling of office premises and residential properties; and
- c) natural uranium trading segment engages in trading of natural uranium.

No operating segments have been aggregated to form the above reportable segments.

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

**Six months ended 30 June 2014**

	<b>Pharmaceutical and food <i>HK\$'000</i> (Unaudited)</b>	<b>Property investment <i>HK\$'000</i> (Unaudited)</b>	<b>Natural uranium trading <i>HK\$'000</i> (Unaudited)</b>	<b>Total <i>HK\$'000</i> (Unaudited)</b>
Turnover	<u>34,655</u>	<u>3,831</u>	<u>371,440</u>	<u>409,926</u>
Segment (loss) profit	<u>(22,663)</u>	<u>1,501</u>	<u>7,397</u>	(13,765)
Other income and gains				13,182
Central administrative costs				(19,529)
Finance costs				<u>(14,089)</u>
Loss before taxation				<u>(34,201)</u>

**Six months ended 30 June 2013**

	<b>Pharmaceutical and food <i>HK\$'000</i> (Unaudited)</b>	<b>Property investment <i>HK\$'000</i> (Unaudited)</b>	<b>Natural uranium trading <i>HK\$'000</i> (Unaudited)</b>	<b>Total <i>HK\$'000</i> (Unaudited)</b>
Turnover	<u>19,992</u>	<u>3,729</u>	<u>294,796</u>	<u>318,517</u>
Segment (loss) profit	<u>(30,986)</u>	<u>(10,137)</u>	<u>17,688</u>	(23,435)
Other income and gains				8,338
Central administrative costs				(12,262)
Finance costs				<u>(13,350)</u>
Loss before taxation				<u>(40,709)</u>

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
<i>Segment assets</i>		
Pharmaceutical and food	<b>89,408</b>	91,972
Property investment	<b>76,981</b>	77,354
Natural uranium trading	<b>9,059</b>	199,276
	<hr/>	<hr/>
	<b>175,448</b>	368,602
Unallocated corporate assets	<b>1,458,932</b>	1,283,793
	<hr/>	<hr/>
Total assets	<b>1,634,380</b>	1,652,395
	<hr/> <hr/>	<hr/> <hr/>
	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
<i>Segment liabilities</i>		
Pharmaceutical and food	<b>28,753</b>	20,810
Property investment	<b>1,058</b>	1,121
Natural uranium trading	<b>7,263</b>	12,559
	<hr/>	<hr/>
	<b>37,074</b>	34,490
Unallocated corporate liabilities	<b>557,352</b>	539,329
	<hr/>	<hr/>
Total liabilities	<b>594,426</b>	573,819
	<hr/> <hr/>	<hr/> <hr/>

#### 4. FINANCE COSTS

	<b>Six months ended 30 June 2014 HK\$'000 (Unaudited)</b>	2013 HK\$'000 (Unaudited)
Imputed interest charged on convertible bonds	<b>14,089</b>	13,350
	<hr/> <hr/>	<hr/> <hr/>



## 5. INCOME TAX EXPENSE (CREDIT)

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Hong Kong Profits Tax		
– current period	1,239	1,725
The People's Republic of China (the "PRC") Enterprise Income Tax		
– current period	141	22
Deferred tax	139	(2,422)
	<u>1,519</u>	<u>(675)</u>

During the six months ended 30 June 2014, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the current and previous periods.

Certain PRC subsidiaries were either in loss-making position for the current and previous periods or had sufficient tax losses brought forward from previous period to offset the estimated assessable income for the period and accordingly did not have any assessable income for the current and previous periods.

The subsidiary operating in Macau was exempted from the income tax in Macau for the prior period.

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI for the current and previous periods.

## 6. DISPOSAL OF SUBSIDIARIES

On 21 June 2013, the Group entered into a sale agreement to dispose of its 100% equity interest in a total of three inactive subsidiaries, to an independent third party for total consideration of HK\$70,000. Those disposed subsidiaries included Sino Lion Capital Inc., Beshabar (Macao Commercial Offshore) Limited and Beshabar Trading Limited.

The net assets of those disposed subsidiaries at the date of disposal were as follows:

	<i>HK\$'000</i>
	(Unaudited)
Net assets disposed of	64
Gain on disposal of subsidiaries	<u>6</u>
Total cash consideration	<u>70</u>
Net cash outflow arising on disposal	
Cash consideration received	70
Bank balances and cash disposed of	<u>(723)</u>
	<u>(653)</u>

The subsidiaries disposed of had no significant impact on the results and cash flows of the Group for the six months ended 30 June 2013.

## 7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Amortisation of intangible assets	31	30
Amortisation of prepaid lease payments on land use rights	202	199
Cost of inventories recognised as an expense	389,720	290,521
Depreciation of property, plant and equipment	2,224	3,240
Reversal of impairment loss recognised in respect of other receivables (included in other operating income)	(111)	–
Write-down of inventories (included in cost of sales)	–	3,499
Write-off of inventories (included in cost of sales)	2,692	100
Loss on disposal of property, plant and equipment	183	173
Research and development costs	551	98
Loan interest income from a shareholder	(3,560)	(3,169)
Interest income from a fellow subsidiary	(5,729)	–
Interest income from an intermediate holding company	(518)	–
Bank interest income	(3,241)	(4,595)
Net exchange loss (gain)	316	(561)
Gain on disposal of subsidiaries	–	(6)
	<u>–</u>	<u>(6)</u>

## 8. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company do not recommend the payment of an interim dividend (six months ended 30 June 2013: nil).

## 9. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Loss</b>		
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share	<u>(35,708)</u>	<u>(39,852)</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>3,332,586,993</u>	<u>3,332,586,993</u>

For the six months ended 30 June 2014 and 2013, diluted loss per share was same as the basic loss per share, as the effect of the conversion of the Company's convertible bonds was anti-dilutive.

## 10. LOAN RECEIVABLES FROM A SHAREHOLDER

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Loan to China Uranium Development Company Limited ("China Uranium Development")	–	248,082

As at 31 December 2013, the Group advanced the revolving loans to China Uranium Development, a shareholder of the Company, in the sum of USD32,000,000. The loans were unsecured, carried interest at one month London Interbank Offered Rate ("LIBOR") plus 6% per annum and repayable within 90 days after the advancement. During the six months ended 30 June 2014, the loan was fully settled.

## 11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade and bills receivables of approximately HK\$22,746,000 (31 December 2013: HK\$203,231,000).

The Group normally grants to its trade customers credit periods for pharmaceutical and food segment ranging from 90 days to 120 days while credit periods for natural uranium segment ranging from 30 days to 105 days.

The following is an aged analysis of the trade and bills receivables, based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates, and net of impairment loss recognised:

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Within 30 days	6,532	29,793
31-60 days	5,095	171,344
61-90 days	10,216	1,373
Over 90 days	903	721
	<b>22,746</b>	<b>203,231</b>

## 12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$18,609,000 (31 December 2013: HK\$13,825,000).

The aged analysis of the Group's trade payables, presented based on invoice date, is as follows:

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Within 30 days	3,192	13,552
31-60 days	6,634	31
61-90 days	7,270	2
Over 90 days	1,513	240
	<b>18,609</b>	<b>13,825</b>

## **BUSINESS REVIEW**

### **Results**

During the six months ended 30 June 2014 (“period under review” or “reporting period”), the consolidated turnover of the Group increased by 29% year-on-year to approximately HK\$409.9 million from HK\$318.5 million. The increase was mainly attributed to the increase in volume of natural uranium trading and sales of pharmaceutical and food during the reporting period. The loss attributable to owners of the Company amounted to approximately HK\$35.7 million, which represented a decrease of 10% as compared to the loss amounted to approximately HK\$39.9 million in the corresponding period.

### **Trading of Natural Uranium**

The trading of natural uranium remained as the main source of the Group’s revenue in the past six months and, taking into account the trading arrangements, will have a remarkable increase in the amount in the second half of the year. Following the adjustment to its strategic focus, the Group will strive to achieve its goal of becoming a first-class supplier of natural uranium in the world. As such, on top of its existing sources of goods, the Group will continue to broaden its supplier channels to acquire more supplies and, at the same time, reduce the purchase cost and maximize the shareholders’ returns through comparison and selection. In addition, the Group started to invest in mines for ensuring a stable supply of goods and strengthening its competitiveness in the natural uranium industry. The Group is proceeding to the transaction of acquiring 100% equity interests in Beijing Sino-Kazakh Uranium Resources Investment Company Limited (“Beijing Sino-Kazakh”) from its substantial shareholder, CGNPC Uranium Resources Co., Ltd. (“CGNPC-URC”), in a bid to indirectly hold 49% equity interest of Semizbay-U Limited Liability Partnership (the “Semizbay-U”) (謝米茲拜伊公司) of Kazakhstan. Upon completion of the whole transaction, the Group will not only have considerable competitiveness in terms of purchase cost, but consolidate its natural uranium business as well.

The Group has recorded HK\$371.4 million turnover in the trading of natural uranium during the reporting period, representing an increase of approximately 26% as compared to HK\$294.8 million in the corresponding period.

### **Pharmaceutical and Food Industry**

#### ***Product Sales***

During the reporting period, the Group’s turnover from sales of pharmaceutical and food products amounted to approximately HK\$34.7 million, representing an increase of approximately 74% as compared to approximately HK\$20.0 million in the corresponding period.

*“Taurolite®”, a prescription medication capable of dissolving the cholesterol stones formed in the gallbladder and bile-duct*

“Taurolite®” Tauroursodeoxycholic acid capsule cures and prevents liver diseases such as cholelithiasis and chronic bile stasis. In the case of cholesterol stone smaller than 2cm, sufferers may simply dissolve it by taking the medication without having to undergo operation. “Taurolite®” has been launched into the market during the second half of year 2009. Turnover during the reporting period was approximately HK\$14.8 million, representing an increase of approximately 6% as compared to approximately HK\$14.0 million in the corresponding period.

*“Duowei (多維)” – a pharmaceutical product for curing various diseases caused by lack of vitamins and minerals*

The Vitamins With Minerals Dispersible Tablets (21) is the vitamins with minerals dispersible tablet re-launched by the Group in the period, which is used to prevent and cure various diseases caused by lack of vitamins and minerals. During the period, Duowei marked a sales amount of approximately HK\$9.6 million (2013: nil), accounting for approximately 28% of the total turnover of our pharmaceutical and food business.

*“Opin”, an interferon suppository for the treatment of chronic viral cervicitis and vaginitis*

Turnover of “Opin” during the reporting period amounted to approximately HK\$3.8 million, representing an increase of approximately 27% as compared to approximately HK\$3.0 million in the corresponding period.

### ***The Production Base in Wuhan, Hubei Province, the PRC***

During the period under review, major production included the drug “Glimepiride orally disintegrating tablets” – medication for diabetes, “Vital Fast” – a slow release flu medication and “Opin” – a gynaecology biological drug.

### ***Sichuan Hengtai Pharmaceutical Company Limited***

Sichuan Hengtai Pharmaceutical Company Limited is the major sales arm of the Group’s pharmaceutical and food segment. During the period under review, major sales products included “Taurolite®”, “Duowei (多維)” etc.

## **Property Investment**

### ***Leased investment property***

During the period under review, the leased investment property business has contributed approximately HK\$3.8 million rental income to the Group, representing an increase of approximately 3% as compared to HK\$3.7 million in the corresponding period.

## **BUSINESS OUTLOOK**

In the foreseeable future, the Group will focus on the development of natural uranium operation while its food, pharmaceutical and property businesses in the PRC will gradually be scaled down. Since the nuclear accident in Fukushima of Japan in 2011, the natural uranium industry has been in the doldrums with a declining price of natural uranium. Over the past six months, the price of natural uranium remained in a downtrend. Nevertheless, the Board is of the view that the currently sluggish natural uranium market, on one hand, puts pressure on the Group’s profitability but, on the other hand, provides a valuable opportunity for its growth. With the good news that the Japanese government announced the re-start of the nuclear power plants and various nations giving great support to the development of clean energy, the Group is optimistic about the growth of natural uranium industry. With a view to becoming a first-class supplier of natural uranium in the world, the Group will move forward incessantly through on-going seeking opportunities to expand its scale of natural uranium trading and invest in quality uranium resource.

## **FINANCIAL REVIEW**

### **Capital Structure**

As at 30 June 2014, the Company had in issue 3,332,586,993 ordinary shares (31 December 2013: 3,332,586,993 ordinary shares). During the period under review, no new shares were issued (2013: nil).

The market capitalisation of the Company as at 30 June 2014 was approximately HK\$2,566 million (31 December 2013: approximately HK\$2,066 million).

### **Liquidity and Financial Resources**

As at 30 June 2014, the Group has no bank borrowing (31 December 2013: nil). The liability component of the convertible bonds amounted to approximately HK\$534.8 million (31 December 2013: HK\$520.7 million). Bank balances and cash amounted to approximately HK\$88.3 million (31 December 2013: HK\$1,030.5 million). As at 30 June 2014, the Group has not obtained banking facilities from any banks (31 December 2013: nil). The Group has maintained sufficient financial resources for business operation purpose. The Group has no seasonality of borrowing requirement.

The Group adopts conservative funding and treasury policies and objectives. During the reporting period, the Group financed its operations by internally generated resources.

As at 30 June 2014, in relation to bank balances and cash amounting to approximately HK\$88.3 million (31 December 2013: HK\$1,030.5 million), approximately 48% (31 December 2013: 38%) was denominated in HK\$, approximately 34% (31 December 2013: 60%) was denominated in United States dollars (“USD”) and approximately 18% (31 December 2013: 2%) was denominated in Renminbi (“RMB”).

### **Exposure to Foreign Exchange Risk and Currency Policy**

During the reporting period, the sales of the Group were mainly denominated in USD and RMB (2013: USD and RMB). The purchases of the Group were mainly denominated in USD and RMB (2013: USD and RMB). Operating expenditures, including administrative expenses and selling and distribution expenses, were primarily denominated in HK\$ and RMB (2013: HK\$ and RMB). During the period under review, the Group did not enter into any forward contracts, interest or currency swaps, or other financial derivatives for hedging purpose. During the reporting period, the Group did not experience any material difficulty or negative effect on its operations or liquidity as a result of fluctuations on currency exchange rates.

### **Contingent Liabilities**

As at 30 June 2014, the Group had no material contingent liabilities (31 December 2013: nil).

## Key Financial Figures and Ratios

### *Statement of profit or loss item:*

Gross profit margin: During the reporting period, the average gross profit margin of the Group decreased to approximately 4% as compared with approximately 7% in the corresponding period, mainly because the gross profit margin of the natural uranium trading business decreased substantially during the reporting period.

Selling and distribution expenses: The Group strove to tighten its expenditures to mitigate the business risk probably incurred by the selling and distribution expenses. The ratio of selling and distribution expenses to turnover during the reporting period was approximately 1%, representing a sharp decrease compared with 2% in the corresponding period, and the selling and distribution expenses decreased by 12% year-on-year to approximately HK\$4.3 million.

Administrative expenses: Total administrative expenses increased from approximately HK\$43.3 million to approximately HK\$46.0 million as the Group are in process to the acquisition of Beijing Sino-Kazakh during the reporting period.

Finance costs: The finance costs for the reporting period mainly arose from the convertible bonds issued and allotted in the second half of year 2011.

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)

### **Statement of profit or loss item:**

Turnover (HK\$'million)	<b>410</b>	319
Gross profit margin	<b>4%</b>	7%
Selling and distribution expenses (HK\$'million)	<b>4</b>	5
Gross profit margin after selling and distribution expenses	<b>3%</b>	6%
Loss attributable to owners of the Company/Turnover	<b>(9%)</b>	(13%)
Loss before interest, tax, depreciation and amortisation ("LBITDA") (HK\$'million)	<b>(20)</b>	(24)
LBITDA/Turnover	<b>(5%)</b>	(8%)

### *Statement of financial position item:*

Gearing ratio: The gearing ratio as at 30 June 2014 (total borrowings/equity attributable to owners of the Company, net of intangible assets and goodwill) was 51%, which was comparable with the gearing ratio of 48% as at 31 December 2013.

The average trade receivable turnover days were reduced from approximately 104 days to approximately 50 days since most of the trade receivables from the natural uranium trading revenue recognised during the period had been settled as at the period end. On the other hand, the Group generally does not hold any inventory for the natural uranium trading business, the inventory turnover days maintained at low level of approximately 9 days.

	<b>As at 30 June 2014</b>	As at 31 December 2013
<b>Statement of financial position item:</b>		
Liability component of convertible bonds (HK\$'million)	<b>535</b>	521
Bank balances and cash (HK\$'million)	<b>88</b>	1,030
Net tangible assets (HK\$'million)	<b>1,040</b>	1,078
Gearing ratio	<b>52%</b>	48%
Average trade receivable turnover days	<b>50 days</b>	104 days
Average inventory turnover days	<b>9 days</b>	9 days

As at 30 June 2014, the Group did not pledge any bank balances and cash as collateral to a bank (31 December 2013: nil).

For the six months ended 30 June 2014, return on equity was on average approximately -3% (2013: -4%).

### **Employee Information**

As at 30 June 2014, the Group had 166 employees (31 December 2013: 179). 120 of these employees were located in Mainland China and 46 in Hong Kong.

The policies of employee remuneration, bonus, share option scheme and training are commensurate with performance and comparable to market rate. The Group encourages employees to participate in external training programmes to develop themselves on a continuous basis, so as to improve staff quality to meet future challenges and gain a competitive edge. Total staff costs for the period under review amounted to approximately HK\$25.7 million (2013: HK\$23.2 million).

### **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

### **CHANGE OF DIRECTORS, JOINT COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER**

On 29 May 2014, the Company convened the Board meeting to approve the matters related to personnel changes, in which Mr. Xing Jianhua resigned as a non-executive director and Mr. Yin Engang was appointed as a non-executive director; Ms. Jin Yunfei resigned as the chief financial officer and Mr. Xing Jianhua succeeded to act as the chief financial officer; and Mr. Kong Chun Hin Jason resigned as the joint company secretary and Ms. Zheng Xiao Wei succeeded to act as the joint company secretary. All of the changes above became effective on 1 June 2014. The details have been set out on the announcement dated 29 May 2014.



In addition, the Company convened the Board meeting on 22 August 2014 to approve the matters related to changes of independent non-executive directors and members of the relevant committees, in which Mr. Ling Bing resigned as the independent non-executive director and member of Audit Committee, Nomination Committee and Remuneration Committee; Mr. Huang Jinsong resigned as the independent non-executive director and member of Nomination Committee and Remuneration Committee; Mr. Lee Kwok Tung Louis was appointed as the independent non-executive director and member of Audit Committee, Nomination Committee and Remuneration Committee; and Mr. Gao Pei Ji was appointed as the independent non-executive director and member of Nomination Committee and Remuneration Committee. The details have been set out on the announcement of change of directors dated 22 August 2014.

## **MAJOR INVESTMENT**

On 16 May 2014, the Board of the Company approved the Share Purchase Agreement entered into between the Company (as purchaser) and CGNPC-URC (as seller), pursuant to which CGNPC-URC conditionally agreed to sell and the Company conditionally agreed to purchase the Equity, representing the entire registered capital of Beijing Sino-Kazakh, at the purchase price of US\$133.00 million (equivalent to approximately HK\$1,030.75 million). Beijing Sino-Kazakh held a 49% partnership interest in Semizbay-U. Through its indirect interest in Semizbay-U, CGNPC-URC is entitled to acquire the Off-take Quantity<sup>Note 1</sup>, being 49% of Semizbay-U's total annual uranium production pursuant to the Off-take Agreement<sup>Note 2</sup>. CGNPC-URC undertook to irrevocably and exclusively designate the Group, from the Completion Date<sup>Note 3</sup> to purchase the Off-take Quantity from Semizbay-U for the entire term of the Off-take Agreement. For further details of this transaction, please refer to the Company's announcement dated 18 May 2014 and circular dated 30 June 2014. The transaction has been approved by shareholders on the extraordinary general meeting held on 23 July 2014. Subsequently, the Company will follow up the approval process of the governments of the PRC and Kazakhstan in a bid to complete this transaction as soon as possible.

## **DIVIDEND**

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: nil).

## **REVIEW OF INTERIM RESULTS**

The unaudited interim financial statements of the Group for the six months ended 30 June 2014 have been reviewed by the Company's Audit Committee and auditors, SHINEWING (HK) CPA Limited.

*Note 1:* 49% of Semizbay-U's total annual uranium production which CGNPC-URC is entitled to acquire pursuant to the Off-take Agreement

*Note 2:* the agreement dated 29 March 2013 entered into between KAP (National Atomic Company Kazatomprom, a joint-stock company established according to the laws of the Republic of Kazakhstan) and CGNPC-URC on the basic principles of marketing (sale) policy with respect to the products of Semizbay-U pursuant to which CGNPC-URC shall be entitled to acquire the Off-take Quantity from Semizbay-U

*Note 3:* the completion of the sale and purchase of the Equity pursuant to the Share Purchase Agreement

## **AUDIT COMMITTEE**

The Audit Committee provides an important link between the Board and the Company's auditors in matters within the scope of the group audit. It also reviews the effectiveness of the external and internal audit, internal controls and risk evaluation.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters with the management. The Group's financial statements for the six months ended 30 June 2014 have been reviewed and adopted by the Audit Committee, who is of the opinion that such statements comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made. The Audit Committee comprises 2 independent non-executive directors and 1 non-executive director.

## **REMUNERATION COMMITTEE**

The Remuneration Committee comprises 2 executive directors and 3 independent non-executive directors, is responsible for reviewing and evaluating the remuneration packages of the executive directors and senior management and making recommendations to the Board from time to time.

## **NOMINATION COMMITTEE**

The Nomination Committee comprises 3 independent non-executive directors, 1 non-executive director and 1 executive director, is responsible for reviewing, formulating and considering the nomination procedures regarding the appointment, reappointment and removal of directors.

## **MODEL CODE**

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 as the principle standards of securities transactions for directors of the Company. All directors have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code during the reporting period.

## **CORPORATE GOVERNANCE**

The Company is committed to good corporate governance practices and procedures including a quality Board, sound internal control, transparency and accountability to its shareholders. The Company has fully complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (Appendix 14 to the Listing Rules) during the reporting period, except the following deviations:

Code Provision A.6.7 – This Code Provision stipulates that independent non-executive directors and other non-executive directors, as equal Board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

All directors have given the Board and the respective committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Mr. Yu Zhiping (executive director), Mr. Chen Qiming (non-executive director) and Mr. Xing Jianhua (non-executive director, resigned on 1 June 2014), Mr. Qiu Xianhong (independent non-executive director), Mr. Ling Bing (independent non-executive director, resigned on 22 August 2014) and Mr. Huang Jinsong (independent non-executive director, resigned on 22 August 2014) were unable to attend the extraordinary general meeting of the Company held on 21 March 2014 (the “EGM”) due to other business engagement. Mr. Yu Zhiping (executive director), Mr. Zhou Zhenxing (chairman of the Board), Mr. Huang Jianming (non-executive director) and Mr. Qiu Xianhong (independent non-executive director) were unable to attend the annual general meeting of the Company held on 23 May 2014 (the “AGM”) due to other business engagement.

Code provision E.1.2 – This Code Provision stipulates that the Chairman of the board should attend and invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend the AGM.

Mr. Zhou Zhenxing, who is the chairman of the Board and the chairman of the Nomination Committee, did not attend the AGM due to other business engagement. Mr. He Zuyuan, being the executive director and executive vice president, had chaired the AGM and answered questions from shareholders.

On behalf of the Board  
**Yu Zhiping**  
*Chief Executive Officer*

Hong Kong, 22 August 2014

*As at the date of this announcement, the board of directors of the Company comprises two executive directors: Mr. Yu Zhiping (chief executive officer), Mr. He Zuyuan and four non-executive directors: Mr. Zhou Zhenxing (chairman), Mr. Chen Qiming, Mr. Yin Engang and Mr. Huang Jianming and three independent non-executive directors: Mr. Lee Kwok Tung Louis, Mr. Qiu Xianhong and Mr. Gao Pei Ji.*

\* *For identification purpose only*