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NORTH MINING SHARES COMPANY LIMITED

北方礦業股份有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 433)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The board of directors (the “Board”) of North Mining Shares Company Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	<i>3(a)</i>	454,948	158,524
Cost of sales		(399,130)	(136,345)
Gross profit		55,818	22,179
Other income	<i>3(b)</i>	86,298	71,797
Other gains and losses	<i>4</i>	(308,188)	133,769
Administrative expenses		(66,631)	(77,545)
(Loss)/Profit from operations		(232,703)	150,200
Finance costs	<i>6</i>	(19,619)	(22,708)
Share of result of an associate		–	(138)
(Loss)/Profit before income tax	<i>7</i>	(252,322)	127,354
Taxation	<i>8</i>	36,392	19,758
(Loss)/Profit for the year		(215,930)	147,112

	<i>Notes</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
Attributable to:			
Owners of the Company		(165,189)	194,012
Non-controlling interests		(50,741)	(46,900)
		<u>(215,930)</u>	<u>147,112</u>
Dividends	<i>9</i>	<u>—</u>	<u>—</u>
(Loss)/Earnings per share			
— Basic, HK cents	<i>10</i>	<u>(1.09)</u>	<u>1.36</u>
— Diluted, HK cents	<i>10</i>	<u>(1.09)</u>	<u>1.18</u>

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
(Loss)/Profit for the year	<u>(215,930)</u>	<u>147,112</u>
Other comprehensive income (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	<u>664</u>	<u>58,988</u>
Other comprehensive income for the year	<u>664</u>	<u>58,988</u>
Total comprehensive (loss)/income for the year	<u><u>(215,266)</u></u>	<u><u>206,100</u></u>
Attributable to:		
Owners of the Company	(162,266)	235,864
Non-controlling interests	<u>(53,000)</u>	<u>(29,764)</u>
	<u><u>(215,266)</u></u>	<u><u>206,100</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<i>Notes</i>	31 December 2014 HK\$'000	31 December 2013 HK\$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		572,858	324,827
Prepaid lease payments		71,796	78,176
Mining rights		1,774,175	1,956,000
Other financial assets	<i>11</i>	992,985	1,713,932
Loan receivable		202,199	–
		<u>3,614,013</u>	<u>4,072,935</u>
Current Assets			
Other financial assets	<i>11</i>	805,376	–
Inventories		173,081	212,906
Trade and bills receivables	<i>12</i>	8,688	13,091
Prepayments, deposits and other receivables	<i>13</i>	658,011	522,127
Tax recoverable		7,604	28,788
Cash and cash equivalents		102,238	44,907
		<u>1,754,998</u>	<u>821,819</u>
Total Assets		<u><u>5,369,011</u></u>	<u><u>4,894,754</u></u>
CAPITAL AND RESERVES			
Share capital		265,641	230,921
Reserves		3,650,064	2,912,150
		<u>3,915,705</u>	<u>3,143,071</u>
Equity attributable to owners of the Company		3,915,705	3,143,071
Non-controlling interests		408,269	461,269
		<u>4,323,974</u>	<u>3,604,340</u>
Total Equity		<u><u>4,323,974</u></u>	<u><u>3,604,340</u></u>

		31 December 2014	31 December 2013
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities		447,107	492,579
Provision for environmental and resources tax		–	25,382
		<u>447,107</u>	<u>517,961</u>
Current Liabilities			
Trade payables	14	63,654	68,162
Other payables and accruals		182,221	140,586
Bank loans and other borrowings		171,248	231,498
Other financial liabilities	15	–	176,801
Amounts due to related parties		54,266	59,750
Provision for environmental and resources tax		101,099	76,147
Tax payables		25,442	19,509
		<u>597,930</u>	<u>772,453</u>
Total Liabilities		<u><u>1,045,037</u></u>	<u><u>1,290,414</u></u>
Total Equity and Liabilities		<u><u>5,369,011</u></u>	<u><u>4,894,754</u></u>
Net Current Assets		<u><u>1,157,068</u></u>	<u><u>49,366</u></u>
Total Assets Less Current Liabilities		<u><u>4,771,081</u></u>	<u><u>4,122,301</u></u>
Net Assets		<u><u>4,323,974</u></u>	<u><u>3,604,340</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL INFORMATION

North Mining Shares Company Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liabilities. The address of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business is located at Rooms 1505-7, 15/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

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, property leasing and property management operation.

The consolidated financial statements are presented in Hong Kong dollars, which is the same functional currency of the Company.

In the opinion of the directors, the ultimate holding company of the Company is China Wan Tai Group Limited, which was incorporated in Hong Kong.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Company. The following paragraph provides information on initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these consolidated financial statements.

2.2 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) under the historical cost convention, as modified by the other financial assets and other financial liabilities which are carried at fair value, as explained in the accounting policies set out below. In addition, the consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

2.3 Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group initially applied the following Hong Kong Financial Reporting Standards:

HK(IFRIC)-Int21	Levies
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Annual improvements (2010–2012)	Amendments to HKFRS 2 and HKFRS 3

The initial application of these financial reporting standards does not necessitate material changes in the Group's accounting policies.

2.4 Hong Kong Financial Reporting Standards in issue but not yet effective

The following Hong Kong Financial Reporting Standards in issue at 31 December 2014 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2014.

HKFRS 9 (2014)	Financial Instruments
HKFRS 14	Regulatory Deferral Accounts
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Bearer Plants
Amendments to HKAS 19	Defined Benefits Plans: Employee Contributions
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures
Amendments to HKFRS10, HKFRS12 and HKAS28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Annual Improvements (2010–2012)	Amendments to HKFRS 3, HKFRS 13 and HKAS 40
Annual Improvements (2012–2014)	Amendments to HKFRS 5, HKFRS 7 and HKAS 19

The Company and the Group are required to initially apply these standards and amendments in its annual consolidated financial statements beginning on 1 January 2016, except that the Company and the Group are required to initially apply Amendments to HKAS 19, Annual Improvements (2010–2013) and Annual Improvements (2011–2013) in its annual consolidated financial statements beginning on 1 January 2015, and to initially apply HKFRS 15 and HKFRS 9 (2014) in its annual consolidated financial statements beginning on 1 January 2017 and 2018 respectively. HKFRS 14 is not applicable to the Company and the Group.

3. TURNOVER AND OTHER INCOME

An analysis of the Group's turnover and other income and gains is as follows:

	Group	
	2014	2013
	HK\$'000	HK\$'000
(a) Revenue:		
Sales of molybdenum concentrate	447,633	122,179
Property management fee income	7,315	6,850
Trading of minerals resources	–	29,495
	<u>454,948</u>	<u>158,524</u>
(b) Other income:		
Bank interest income	87	447
Imputed interest income arising from amortisation of promissory notes	84,429	60,072
Dividend income received from contingent assets	–	11,276
Sundry income	1,782	2
	<u>86,298</u>	<u>71,797</u>

4. OTHER GAINS AND LOSSES

	Group	
	2014	2013
	HK\$'000	HK\$'000
Amortisation of prepaid lease payments	(6,042)	(5,997)
Amortisation of mining rights	(173,347)	(98,227)
(Loss)/Gain arising from change in fair value of financial liabilities designated as at FVTPL	(128,799)	470,208
Loss on disposal of an associate	–	(213,754)
Impairment loss on mining rights	–	(18,461)
	<u>(308,188)</u>	<u>133,769</u>

5. SEGMENT INFORMATION

Operating segments has been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and to assessing their performance.

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) Mining operation:
 - Exploration of mineral mines
 - Exploitation of molybdenum mines
 - Trading of mineral resources
- (b) Property leasing operation: The leasing of commercial premises
- (c) Property management operation: Provision of management service to commercial premises

The management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Information regarding the above segment is reported below.

5.1 Operating segment information

Segment revenue and results For the year ended 31 December 2014

	Property leasing ² HK\$'000	Property management HK\$'000	Mining operation			Total HK\$'000
			Mining exploitation ³ HK\$'000	Mining exploration ⁴ HK\$'000	Trading of mineral resources HK\$'000	
Revenue						
Segment turnover	-	7,315	447,633	-	-	454,948
Results¹						
Segment results	-	27	(138,031)	-	(3,532)	(141,536)
Unallocated corporate income						84,429
Unallocated corporate expenses						(151,878)
Loss before income tax						(208,985)
Income tax						(6,945)
Loss for the year						(215,930)

For the year ended 31 December 2013

	Mining operation					Total HK\$'000
	Property leasing ² HK\$'000	Property management HK\$'000	Mining exploitation ³ HK\$'000	Mining exploration ⁴ HK\$'000	Trading of mineral resources HK\$'000	
Revenue						
Segment turnover	-	6,850	148,207	-	3,467	158,524
Results ¹						
Segment results	-	20	(134,002)	-	(2,878)	(136,860)
Unallocated corporate income						318,291
Unallocated corporate expenses						(24,905)
Profit before income tax						156,526
Income tax						(9,414)
Profit for the year						147,112

- Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment result represents the profit earned by each segment without allocation of corporate income and expenses, central administrative expenses, directors' salaries and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.
- For the year ended 31 December 2014 and 2013 there is no segment result for property leasing operation.
- For the year ended 31 December 2014, segment results for mining exploitation included no impairment loss on mining rights (2013: HK\$18,461,000), amortisation of mining rights of approximately HK\$173,347,000 (2013: HK\$98,227,000) and reversal of deferred tax liabilities of approximately HK\$43,337,000 (2013: HK\$29,172,000) and operating expenses which are directly related to the reportable segment.
- For the years ended 31 December 2014 and 2013, there are no segment results for mining exploration.

Segment assets and liabilities

As at 31 December 2014

	Property leasing <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Mining operation		Trading of mineral resources <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
			Mining exploitation <i>HK\$'000</i>	Mining exploration <i>HK\$'000</i>			
Segment assets	<u>-</u>	<u>734</u>	<u>2,617,335</u>	<u>-</u>	<u>45,926</u>	<u>2,705,016</u>	<u>5,369,011</u>
Segment liabilities	<u>-</u>	<u>1,146</u>	<u>1,041,766</u>	<u>-</u>	<u>82</u>	<u>2,043</u>	<u>1,045,037</u>

As at 31 December 2013

Segment assets	<u>-</u>	<u>660</u>	<u>2,712,154</u>	<u>-</u>	<u>55,892</u>	<u>2,126,048</u>	<u>4,894,754</u>
Segment liabilities	<u>-</u>	<u>1,115</u>	<u>1,138,131</u>	<u>-</u>	<u>1,591</u>	<u>149,577</u>	<u>1,290,414</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than goodwill, intangible assets and assets used jointly reportable segments which are classified as “Others” in segment assets.
- all liabilities are allocated to reportable segments other than liabilities for which reportable segments are jointly liable and classified as “Others” in segment liabilities.

Other segment information

	Property leasing <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Mining operation		Trading of mineral resources <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
			Mining exploitation <i>HK\$'000</i>	Mining exploration <i>HK\$'000</i>			
As at 31 December 2014							
Depreciation and amortisation	-	4	191,632	-	-	5,993	197,629
Impairment loss recognised during the year	-	-	-	-	-	-	-
Capital expenditures	<u>-</u>	<u>-</u>	<u>267,799</u>	<u>-</u>	<u>-</u>	<u>8</u>	<u>267,807</u>
As at 31 December 2013							
Depreciation and amortisation	-	-	117,898	-	5,928	-	123,826
Impairment loss recognised during the year	-	-	18,461	-	-	-	18,461
Capital expenditures	<u>-</u>	<u>-</u>	<u>20,396</u>	<u>-</u>	<u>-</u>	<u>134</u>	<u>20,530</u>

5.2 Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's current and non-current assets. The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the segment assets is based on the physical location of the asset, in the case of mining rights, the location of the operation to which they are allocated.

The Group's operations are located in the following geographical areas. The following table provides an analysis of the Group's revenue from external customers and assets by geographical location:

	Segment revenue from external customers		Segment assets	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong	–	–	1,340,758	237,717
The PRC	454,948	158,524	4,028,253	4,657,037
	<u>454,948</u>	<u>158,524</u>	<u>5,369,011</u>	<u>4,894,754</u>

5.3 Information about major customers

Included in revenue of approximately HK\$454,948,000 (2013: HK\$158,524,000), a total of approximately HK\$171,654,000 (2013: HK\$58,596,000) is derived from sales to the Group's largest customer. The Group's five largest customers account for approximately HK\$385,384,000 (2013: HK\$109,077,000). No other single customer has contributed 10% or more to the Group's revenue for the years ended 31 December 2014 and 2013.

6. FINANCE COSTS

	Group	
	2014 HK\$'000	2013 HK\$'000
Interest on bank loans and other borrowings wholly repayable within five years	<u>19,619</u>	<u>22,708</u>

7. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax is arrived at after charging:

	Group	
	2014 HK\$'000	2013 HK\$'000
Auditors' remuneration	900	900
Cost of inventories expensed	399,130	136,345
Depreciation of property, plant and equipment	18,240	19,602
Staff costs (including directors' remuneration)		
— Wages and salaries	13,061	13,208
— Retirement benefits contributions	1,201	1,499
Operating lease payments in respect of offices premises	<u>4,533</u>	<u>2,885</u>

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made since the Group incurred taxation losses for the year. Taxes on profits assessable elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

	Group	
	2014	2013
	HK\$'000	HK\$'000
Current tax:		
PRC corporate income tax	6,945	9,414
Hong Kong profits tax	–	–
Deferred tax	<u>(43,337)</u>	<u>(29,172)</u>
	<u>(36,392)</u>	<u>(19,758)</u>

9. DIVIDENDS

The Directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2014 (2013: Nil).

10. LOSS/EARNINGS PER SHARE

(a) Basic loss/earnings per share

The calculation of basic loss per share amount is based on the net loss for the year of approximately HK\$165,189,000 (2013: net profit of HK\$194,012,000) attributable to equity holders of the Company, and weighted average of 15,223,246,846 (2013: 14,310,096,161) ordinary shares in issue during the year.

(b) Diluted earnings per share

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2014.

For the year ended 31 December 2013, the calculation of diluted earnings per share amount is based on the net profit attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible notes. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 14,310,096,161 in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 2,170,000,000 assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares at the beginning of the year ended 31 December 2013.

11. OTHER FINANCIAL ASSETS

	Group	
	2014	2013
	HK\$'000	HK\$'000
Analysed as		
Promissory notes receivable — non-current portion	992,985	1,713,932
Promissory notes receivable — current portion	805,376	—
	<u>1,798,361</u>	<u>1,713,932</u>

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 entered into a subscription agreement with Shaanxi Ding Jin Mining Company Limited (“Ding Jin”), the Issuer, pursuant to which the Group is eligible to subscribe for the promissory notes issued by Ding Jin. The principal amount of the promissory notes was HK\$500 million and carried at interest of HK\$100 million, payable on the maturity date, which is 5 years from subscription.

Rui Sui Promissory Note

During the year ended 31 December 2012, the Group disposed of 26% equity interests in Rui Sui Kuang Ye Company Limited, for an aggregate consideration of HK\$600 million, which was satisfied by a promissory note which are carried at a total interest of HK\$36 million wholly payable on the maturity date, issued by the purchaser. The maturity date is 3 years from the issue date of the promissory notes.

Yi Tong Promissory Note

During the year ended 31 December 2012, the Group disposed of 70% equity interests in Heilongjiang Yi Tong Mining Company Limited at a consideration of HK\$230 million, of which approximately HK\$46 million was settled by cash and approximately HK\$184 million was settled by issuance of the promissory note issued by the purchaser. The maturity date is 3 years from the issue date of the promissory notes.

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 3 years from the issue date of the promissory notes.

12. TRADE AND BILLS RECEIVABLES

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and bills receivables	8,688	13,091

An aging analysis of the trade receivables at the end of the reporting period, based on invoice date is as follows:

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	4,343	699
31–60 days	1,264	2,411
61–90 days	1,137	317
91–180 days	127	9,664
Over 180 days but within one year	1,817	–
	8,688	13,091

The aging of trade receivables which are past due but not impaired are as follows:

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
31–60 days	1,264	2,411
61–90 days	1,137	317
91–180 days	127	9,664
Over 180 days but within one year	1,817	–
	4,345	12,392

For the year ended 31 December 2014, trade debtors that were not impaired nor past due related to customers for whom there was no recent history of default. Based on experience, management believe that no impairment loss shall be recognised as there has not been a significant change in credit quality and the balances are still considered recoverable (2013: Nil).

The directors consider that the fair values of trade receivables are not materially different from their carrying value because these amounts have short maturity period on their inception.

For the Group's mining operation, 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 not more than 30 days.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 31 December 2014, balance of prepayments, deposits and other receivables included:

- (i) loans amounted to approximately HK\$183,243,000 (RMB145,000,000) granted to the non-controlling shareholders of Jiu Long Kuang Ye, a principal subsidiary of the Group operating in exploitation of molybdenum mine. The loan receivables were secured by the non-controlling shareholders' respective shareholdings in Jiu Long Kuang Ye, carried at an interest rate of 3% per annum and recoverable in one year.
- (ii) refundable investment deposits of approximately HK\$379,123,000 (RMB:300,000,000) (2013: HK\$380,735,000 (RMB300,000,000)) in respect of a possible acquisition of a potassium mine located in Shangluo City, Luo Nan Xian, Shaanxi Province, the PRC. The Group has initially announced a letter of intent for such possible acquisition on 22 April 2013 and a framework agreement has been entered into between the potential vendor and the Group thereafter. On 30 December 2013, the Group and the potential vendor had further entered into a supplemental agreement to extend the period for fulfillment of precedent conditions of the above-mentioned acquisition. The investment deposits were secured by equity shares of the target company.

For the year ended 31 December 2014, no impairment loss provided on deposits and other receivables which in the opinion of the directors, such balances are recoverable within 1 year (2013: Nil).

The amount of the Group's and the Company's prepayments, deposits and other receivables are expected to be recovered or recognised as expense after more than one year was approximately HK\$Nil (2013: HK\$519,000). All of the prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

In the opinion of the directors, the fair values of prepayments, deposits and receivables are not materially different from their amounts because these amounts have short maturity periods on their inception.

14. TRADE PAYABLES

	Group	
	2014	2013
	HK\$'000	HK\$'000
0–30 days	17,979	12,630
31–60 days	3,141	2,888
61–90 days	4,487	2,214
91–180 days	18,827	3,422
Over 180 days but within one year	19,220	47,008
	63,654	68,162

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

15. OTHER FINANCIAL LIABILITIES

On 19 July 2011, the Company issued an option (“CN Option”) to potential subscribers the rights to fully or partially subscribed for the convertible notes within three years immediately after the issue date. The principal amount of the convertible notes was approximately HK\$754,000,000 from which the whole amount has been subscribed and exercised in the following respective dates:

- On 15 April 2013, the holder of the CN Option has subscribed and exercised part of the CN Option at the exercise price of HK\$0.29 for a total number of 430,000,000 ordinary shares. The net proceeds raised from the conversion of CN Option amounted to approximately HK\$124,700,000 has been used for the payment of initial deposit for a potential investment in 100% equity shares in China Potassium Shares Company Limited;
- On 17 June 2014, the holder of the CN Option has subscribed and exercised part of the CN Option at the exercise price of HK\$0.29 for a total number of 150,000,000 ordinary shares. The proceeds amounted to approximately HK\$43,500,000 was intended to be used for general working capital purpose;
- On 3 July 2014, the holder of the CN Option has subscribed and exercised part of the CN Option at the exercise price of HK\$0.29 for a total number of 150,000,000 ordinary shares. The proceeds amounted to approximately HK\$43,500,000 was intended to be used for funding the proposed investment in 100% equity of China Potassium Shares Company Limited;
- On 18 July 2014, the holder of the CN Option has subscribed and exercised part of the CN Option at the exercise price of HK\$0.29 for a total number of 1,870,000,000 ordinary shares. The proceeds amounted to approximately HK\$542,300,000 was intended to be used for funding the proposed investment in 100% equity of China Potassium Shares Company Limited.

As at 31 December 2014, there is no issued CN Option outstanding.

As at 31 December 2013, the fair value of the CN Option is determined using the Binomial Option Pricing Model with reference to the parameters listed and identified below:

	2013
Share price (HKD)	0.310
Strike price (HKD)	0.290
Time to maturity (Year)	0.553
Risk free rate (%)	0.144
Credit spread (%)	2.330
Volatility (%)	43.670

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL FINANCIAL PERFORMANCE

During the year under review, the Group recorded a turnover of approximately HK\$454,948,000, representing an increase of approximately 187% over 2013 (2013: approximately HK\$158,524,000). Turnover attributable to mining business operations, which is the Group's major operation, amounted to approximately HK\$447,633,000 (2013: approximately HK\$148,207,000), represents approximately 98% (2013: 93%) of the Group's total turnover for the year then ended. For the year ended 31 December 2014, the Group recorded a loss attributable to owners of the Company of approximately HK\$165,189,000 (2013: profit of approximately HK\$194,012,000), representing a decrease of HK\$359,201,000 as compared to the year ended 31 December 2013. The increase in loss is mainly due to the fair value loss of financial liabilities designated as at fair value through profit or loss ("financial liabilities designated as at FVTPL") which amounted to approximately HK\$128,799,000 (2013: gain of approximately HK\$470,208,000).

BUSINESS REVIEW

The principal activities of the Group are (i) mining operations — exploitation, exploration and trading of mineral resources; (ii) property management operations; and (iii) property leasing operations. An analysis of each of these business segments is presented below:

(i) Mining Operations — Exploitation and 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 year under review, the volume of molybdenum concentrate produced by the molybdenum mine operated by Jiu Long Kuang Ye was about 8,760 tonnes (2013: 4,716 tonnes). The sales volume of molybdenum concentrate was about 7,266 tonnes (2013: 1,872 tonnes). The grade of molybdenum concentrate was approximately 42%–45%. The average selling price of molybdenum concentrate was about HK\$61,607 per tonne (2013: HK\$65,281). During the year under review, Jiu Long Kuang Ye contributed revenue of approximately HK\$447,633,000 (2013: approximately HK\$148,207,000) to the Group. The cost of sales was approximately HK\$392,899,000 (2013: approximately HK\$127,040,000). Gross profit amounted to approximately HK\$54,734,000 (2013: approximately HK\$21,167,000) and the profit margin was 12.23% (2013: 14.28%), representing a slight decrease of approximately 2.05% (2013: increase 6.59%). The decrease in profit margin was mainly due to the decreasing average selling price of molybdenum concentrate about HK\$65,281 per tonne in 2013 to HK\$61,607 per tonne in 2014. For the year ended 31 December 2014, net profit attributable to Jiu Long Kuang Ye was HK\$71,711,000 (2013: approximately loss of HK\$46,486,000) which was mainly attributable from the amortization of mining rights of approximately HK\$173,347,000 (2013: HK\$98,227,000) and impairment loss on mining rights of approximately HK\$Nil (2013: HK\$18,461,000).

The Directors hired an independent professional valuation firm to determine the value in use of the Company's mining operation, the basis of Discount Cash Flow valuation method (the "DCF") has been used in the valuation. The sources and inputs of such DCF mainly consist of (i) sales of molybdenum concentrate; (ii) major operating expenses. The assumptions used in forecasting the (i) sales of molybdenum concentrate are the average molybdenum price over the past year, supported by the corresponding molybdenum production plan while that of (ii) major operating expenses are determined based on actual daily operating expenditures, taking into account management's best estimate of future cash outflow including changes in working capital and the incremental capital expenditure foreseeable to be incurred. In the opinion of the Directors of the Company, such adopted DCF method would best reflect the value in use of the Company's mining operation. During the year, there is no change in valuation method used and the Directors have consensus to adopt a consistent valuation methodology and accounting policy in accounting for such mining operation over time given that no fundamental changes in the mining industry and such external environment will occur. The discount rate used for the above DCF projections is formulated by the Weighted Average Cost of Capital ("WACC"). The WACC included two major components which are cost of equity and cost of debt. The cost of equity is determined by assessing key assumptions of (i) market risk premium and (ii) beta coefficient. The WACC adopted is 10.17%. The value in use as derived was amounted to approximately HK\$1,915,834,000 which is higher (2013: lower) than the carrying amount of mining right which is amounted to approximately HK\$1,774,175,000 (2013: 1,956,000,000). As a result, the Directors concluded that impairment on such mining right is provided at approximately HK\$Nil (2013: HK\$18,461,000) as at 31 December 2014.

Property management operations

For the year ended 31 December 2014, the turnover generated from the property management operation was approximately HK\$7,315,000 (2013: HK\$6,850,000), representing a growth of approximately 6.79% (2013: 4.56%).

Property leasing operations

The Group did not have any investment properties held for leasing as at 31 December 2014 (2013: HK\$ Nil). In view of the significant fluctuation of property market in the PRC, the directors of the Company considered to scale down the Group's leasing operation. Nevertheless, the Group will identify the possible investment property in the future when the property market in the PRC become stable.

Other Financial Assets

As at 31 December 2014, the Group had four promissory notes, namely Bai Shan Promissory Notes, Ding Jin Promissory Notes, Rui Sui Promissory Notes and Yi Tong Promissory Notes. Details of which is set out below:

Bai Shan Promissory Notes

During the year ended 31 December 2013, the Group disposed of 25% of the entire equity interest in Rui Sui Kuang Ye for an aggregate consideration of HK\$500 million which was satisfied by a promissory note receivable with a face value of HK\$500 million issued by the purchaser. The maturity date is 3 years from the issue date of the promissory notes.

Ding Jin Promissory Notes

During the year ended 31 December 2011, the Group entered into a subscription agreement with Shaanxi Ding Jin Mining Company Limited (“Ding Jin”), the Issuer, pursuant to which the Group is eligible to subscribe for the promissory notes issued by Ding Jin. The principal amount of the promissory notes was HK\$500 million and carried at interest of HK\$100 million, payable on the maturity date, which is 5 years from subscription.

Rui Sui Promissory Notes

During the year ended 31 December 2012, the Group disposed of 26% equity interests in Rui Sui, for an aggregate consideration of HK\$600 million, which was satisfied by a promissory notes issued by the purchaser with maturity date of 3 years from the issue date of the promissory notes.

Yi Tong Promissory Notes

During the year ended 31 December 2012, the Group disposed of 70% equity interests in Heilongjiang Yi Tong Mining Company Limited (“Yi Tong”) at a consideration of HK\$230 million, of which approximately HK\$46 million was settled by cash and approximately HK\$184 million was settled by issuance of the promissory note issued by the purchaser with maturity date of 3 years from the issue date of the promissory notes.

Material Acquisition and Disposal

On 22 August 2014, the Company announced that it entered into an acquisition agreement with the vendors namely Mr. Li Sheng Li and Ms. Ma Wei Min pursuant to which the Company has conditionally agreed to acquire entire equity of China Potassium Shares Company Limited, (together with its subsidiaries, the “Target Group”), at a consideration of HK\$4,722,900,000 (the “Acquisition”). The acquisition agreement has been amended and supplemented by 1st and 2nd supplemental agreement on 30 June 2014 and 6 August 2014 respectively, in which the parties of interests have agreed to amend certain terms and condition in relation to the settlement of consideration. The principal activities of the Target Group include research and development on technology in processing potassium feldspar, selling and processing of potassium feldspar, exploration and exploitation of potassium feldspar and sale of its end products including potassium sulphate, superfine calcium silicate and kaolin.

Details of the Acquisition are set out in the Company's announcement dated 22 August 2014. As additional time is required to finalise the requisite information, the date of despatch of the circular has been postponed. The Company will finalise the circular as soon as practicable.

Contingent assets

During the year under review, the Group received no dividend from Xian Communication University Second Affiliated Middle School Southern District (2013: approximately HK\$11,276,000). The transfers of land and property rights are still being processed. The school was a compensation asset receivable as a result of a fraud transaction taken by a minority shareholder of the Group's subsidiary who had surrendered a property development project held by the Group to Xian Government without the Company's knowledge or consent in previous years.

PROSPECTS

In 2014, the global economy still faces more uncertainty factors, including the possible continue slowdown in global economy and the sovereign debt crisis in the euro zone. The Group will continue to keep abreast of the changing market conditions and will adjust its business and operation strategies.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow. During the year under review, the Group recorded a major cash inflow of approximately HK\$629,300,000 (2013: inflow of approximately HK\$124,700,000) which was mainly arising from the conversion of 2,170 million shares by convertible notes. Meanwhile, there are two promissory notes which would be matured in the coming year ended namely Rui Sui Promissory Note and Yi Tong Promissory Note, and total amount is approximately HK\$805,376,000. With the amounts of cash on hand amounted to approximately HK\$102,238,000 as at 31 December 2014. The Board considered that the Group's liquidity position is healthy.

As at 31 December 2014, the Group had outstanding bank borrowings at the amount of approximately HK\$102,995,000 (2013: approximately HK\$114,094,000). The Group's gearing ratio as at 31 December 2014 was approximately 4.0% (2013: 6.4%). The decrease in gearing ratio was mainly due to the decrease in proportion of interest bearing bank borrowings to total liability and equity during the year ended. The Board considered that the gearing ratio remains at low level compared to equity attributable to owners of the Company and that the Group is of good liquidity. As at 31 December 2014, the Group's current ratio was approximately 2.94 (2013: approximately 1.06). The increase in current ratio was mainly due to the increase in maturity of promissory notes during the year under review. As at 31 December 2014, the Group's debt to equity ratio was approximately 0.27 (2013: approximately 0.41). The decrease in debt to equity ratio was mainly due the decrease in borrowing during the year under review. The ratio was calculated by dividing the total liabilities of approximately HK\$1,045,037,000 (2013: approximately HK\$1,290,414,000) by equity attributable to owners of the Company of approximately HK\$3,915,705,000 (2013: approximately HK\$3,143,071,000). Overall, the Board believes that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.

CAPITAL STRUCTURE AND TREASURY POLICIES

Capital Structure

The Group's capital structure as at 31 December 2014 mainly comprised of current assets of approximately HK\$1,754,998,000 (2013: approximately HK\$821,819,000), current liabilities of approximately HK\$597,930,000 (2013: approximately HK\$772,453,000) and equity attributable to owners of the Company of approximately HK\$3,915,705,000 (2013: approximately HK\$3,143,071,000). Current assets mainly comprised of cash and cash equivalents of approximately HK\$102,238,000 (2013: approximately HK\$44,907,000), inventories of approximately HK\$173,081,000 (2013: approximately HK\$212,906,000) and prepayments, deposits and other receivables of approximately HK\$658,011,000 (2013: approximately HK\$522,127,000). Current liabilities mainly comprised of borrowings of approximately HK\$171,248,000 (2013: approximately HK\$231,498,000), trade payables of approximately HK\$63,654,000 (2013: approximately HK\$68,162,000), accruals and other payables of approximately HK\$182,221,000 (2013: approximately HK\$140,586,000), other financial liabilities of approximately HK\$Nil (2013: HK\$176,801,000) and amounts due to related parties of approximately HK\$54,266,000 (2013: HK\$59,750,000).

Convertible Note Option Agreement

2011 CN Option Agreement

As disclosed in the announcement of the Company dated 19 July 2011, the Company, as the issuer, entered into the Convertible Note Option Agreement ("2011 CN Option Agreement") with the potential subscribers. The CN Option (as defined in the announcement) entitled the Company to require each potential subscriber to, and the potential subscriber are also entitled to, fully or partially subscribe for the convertible notes ("2011 Convertible Notes") as agreed under the 2011 CN Option Agreement within three years ended on 19 July 2014. During the year ended 31 December 2014, CN Option to subscribe for a total amount of HK\$629,300,000 of 2011 Convertible Notes were validly exercised at the conversion price of HK\$0.29 and a total of 2,170,000,000 conversion shares were allotted and issued. As at 19 July 2014, i.e the expiry date of the CN Options, all of the CN Options had been validly exercised and the Company had issued an aggregated principal amount of HK\$754,000,000 of the 2011 Convertible Notes.

Treasury Policies

During the year ended 31 December 2014, 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 such financial impact is material to the Group. For the year ended 31 December 2014, the Group did not employ any financial instruments for hedging purpose and was not engaged in foreign currency speculative activities.

BANK AND OTHER BORROWING AND CHARGES OF GROUP ASSETS

As at 31 December 2014, the Group had bank and other borrowings amounted to approximately HK\$171,248,000 (2013: HK\$231,498,000). As at 31 December 2014, the Group's interest bearing bank loans were carried at effective interest rates from 7.2% to 9.5% per annum and were secured by (i) a guarantee from an independent insurance company; (ii) the molybdenum concentrate as included in inventories; (iii) guarantees from a subsidiary of the Group and the subsidiary's minority shareholders and (iv) personal guarantee from the subsidiary's minority shareholders.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had no significant contingent liabilities (2013: Nil).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2014, the Group employed 570 full time employees (2013: 540 employees). Employees remuneration packages are structured and reviewed with reference to the nature of the jobs, market condition and individual merits. The Group also provides other employee benefits including year-end double pay, mandatory provident fund and medical insurance.

MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORT

Basis for qualified opinion

Prior year's audit scope limitation affecting opening balances and comparative figures

The auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2013 contained qualification on the possible effect of the limitations on the scope of the audit in relation to a property development project held by a subsidiary of the Company. Details of which has been set out in the auditor's report dated 25 March 2014 and was included in the Group's annual report for the year ended 31 December 2013.

As the auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2013 formed the basis for the corresponding figures presented in the current year's consolidated financial statements, any adjustments found to be necessary in respect of the carrying amount of the abovementioned property development project would have a significant effect on the opening balances and consequential effect on the consolidated financial position of the Group as at 31 December 2014 and the results and cash flows for the year ended 31 December 2014 and the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2014.

Qualified opinion arising from limitation of audit scope

In our opinion, except for the effects of the matters described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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 year under review.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2014, the Company had applied the principles of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and complied with all the applicable code provisions of the Code, except the following code provision:

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.

Since the appointment in the year of 2011, Mr. Gao Yuan Xing performed the roles of the Chairman and the Chief Executive Officer ("CEO") of the Company, until he resigned as the CEO of the Company on 22 September 2014 but remains as the Chairman of the Board and an executive director of the Company. The resignation of Mr. Gao as CEO was due to the fact that he would focus on his role as the Chairman of the Company.

Mr. Yang Ying Min was appointed as an executive director on 25 August 2014 and then appointed as the CEO of the Company on 22 September 2014.

Since then, the roles of Chairman and CEO of the Company have been separate and performed by different individual, the Company has complied with the code provision A.2.1.

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

However, the Board considers that the setting up of such a nomination committee may not be necessary at the current scale of the Board and the Company. The Board is responsible for considering and approving the appointment of its members and making recommendations to shareholders on directors standing for re-election, providing sufficient biographical details of directors to enable shareholders to make an informed decision on the re-election, and where necessary, nominate and appoint directors to fill casual vacancies. The Board also consider, formulate, adjust and review board diversity policy concerning diversity of board members of the Company.

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.

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, Mr. Mu Xiangming and Dr. Cheng Chak Ho were absent from the 2014 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 Revised 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 year ended 31 December 2014.

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 financial statements for the year ended 31 December 2014.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The result announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.northmining.com.hk. The 2014 annual report of the Company containing all the information required by the Listing Rules will be dispatched to its shareholders and published on the above websites in due course.

By order of the Board of
North Mining Shares Company Limited
Gao Yuan Xing
Chairman

Hong Kong, 26 March 2015

As at the date of this announcement, the Board of the Company comprises Mr. Gao Yuan Xing, Mr. Qian Yi Dong, Mr. Zhang Jia Kun, Mr. Yang Ying Min and Ms. Li Li Juan as executive Directors; and Mr. Mu Xiangming, Dr. Cheng Chak Ho and Mr. Lo Wa Kei Roy as independent non-executive Directors.