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 2013

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 2013, together with the comparative figures for the year ended 31 December 2012, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Notes	**2013** *HK$'000*	2012 *HK$'000*
Revenue	*3(a)*	**158,524**	369,702
Cost of sales		**(136,345)**	(340,991)
Gross profit		**22,179**	28,711
Other income	*3(b)*	**71,797**	45,949
Other gains and losses	*4*	**133,769**	(1,035,586)
Administrative expenses		**(77,545)**	(85,907)
Profit/(Loss) from operations		**150,200**	(1,046,833)
Finance costs	*6*	**(22,708)**	(12,071)
Share of result of associate		**(138)**	(134)

	Notes	**2013**	2012
		HK$'000	*HK$'000*
Profit/(Loss) before income tax	*7*	**127,354**	(1,059,038)
Taxation	*8*	**19,758**	90,492
Profit/(Loss) for the year		**147,112**	(968,546)
Attributable to:			
Owners of the Company		**194,012**	(852,471)
Non-controlling interests		**(46,900)**	(116,075)
		147,112	(968,546)
Dividends	*9*	**–**	–
Earnings/(Loss) per share			
— Basic, HK cents	*10*	**1.36**	(6.47)
— Diluted, HK cents	*10*	**1.18**	(5.40)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
Profit/(Loss) for the year	**147,112**	(968,546)
Other comprehensive income (net of tax effect):		
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign subsidiaries	**58,988**	76,119
Release of exchange reserves upon disposal of subsidiaries	**–**	(5,376)
Other comprehensive income for the year	**58,988**	70,743
Total comprehensive income/(loss) for the year	**206,100**	(897,803)
Attributable to:		
Owners of the Company	**235,864**	(817,343)
Non-controlling interests	**(29,764)**	(80,460)
	206,100	(897,803)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	31 December 2013 HK$'000	31 December 2012 HK$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		**324,827**	314,001
Interest in associates		**–**	637,799
Prepaid lease payments		**78,176**	81,675
Mining right		**1,956,000**	2,010,545
Other financial assets	*11*	**1,713,932**	1,229,931
		4,072,935	4,273,951
Current Assets			
Inventories		**212,906**	104,813
Trade and bills receivables	*12*	**13,091**	39,870
Prepayments, deposits and other receivables	*13*	**522,127**	115,609
Tax recoverable		**28,788**	23,411
Cash and cash equivalents		**44,907**	368,501
		821,819	652,204
Total Assets		**4,894,754**	4,926,155
CAPITAL AND RESERVES			
Share capital		**230,921**	224,041
Reserves		**2,912,150**	2,558,466
Equity attributable to owners of the Company		**3,143,071**	2,782,507
Non-controlling interests		**461,269**	491,033
Total Equity		**3,604,340**	3,273,540

	Notes	31 December 2013 HK$'000	31 December 2012 HK$'000
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities		**492,579**	507,050
Provision for environmental and resources tax		**25,382**	98,425
		517,961	605,475
Current Liabilities			
Trade payables	*14*	**68,162**	115,602
Other payables and accruals		**140,586**	112,823
Bank loans and other borrowings		**231,498**	94,611
Other financial liabilities	*15*	**176,801**	647,009
Amounts due to related parties		**59,750**	67,577
Provision for environmental and resources tax		**76,147**	–
Tax payables		**19,509**	9,518
		772,453	1,047,140
Total Liabilities		**1,290,414**	1,652,615
Total Equity and Liabilities		**4,894,754**	4,926,155
Net Current Assets/(Liabilities)		**49,366**	(394,936)
Total Assets less Current Liabilities		**4,122,301**	3,879,015
Net Assets		**3,604,340**	3,273,540

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 3609-10, 36/F., China Resources Building, No. 26 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, property leasing and property management.

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. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These 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 Group for the current and prior accounting periods reflected in these consolidated financial statements.

2.2 Basis of preparation

The consolidated financial statements of have been prepared in accordance with 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 and by the disclosure requirement of the Hong Kong Companies Ordinance.

2.3 Possible impact of amendments, new standards and interpretation issued but not yet effective for the year ended 31 December 2013

In the current year, the Group has applied for the first time the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2013:

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Annual Improvements to HKFRSs (2009-2011)	Amendments to HKFRS 1, HKAS 1, HKAS 16, HKAS 32 and HKAS 34

The initial application of these financial reporting standards does not necessitate material changes in the company's accounting policies except the following:

(i) HKFRS 10 "Consolidated Financial Statements" modifies the concept of "control" substantially. The Company's adoption of this new concept of control does not result in a change in the classification of investments in subsidiaries and other entities;

(ii) HKFRS 13 "Fair Value Measurement" introduces a number of new concepts and principles regarding fair value measurement. The Company's adoption of these new concepts and principles does not result in a change in the fair value measurements of its assets and liabilities.

The initial application of these financial reporting standards does not necessitate retrospective adjustments of the comparatives presented in the consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
HK(IFRIC)-Int 21	Levies[1]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Annual Improvements to HKFRSs (2010–2012) Cycle	Amendments to HKFRS 2, HKFRS 3, HKFRS 8, HKFRS 13, HKAS 16, HKAS 24 and HKAS 38[2]
Annual Improvements to HKFRSs (2011–2013)	Amendments to HKFRS 10, HKFRS 12 and HKAS 40[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 January 2016

The directors of the Company are in the process of making an assessment of what the impact of these new and revised HKFRSs upon initial application. So far the directors of the Company anticipate that the application of other new and revised standards, amendments and interpretations in issue but not yet effective will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND OTHER INCOME

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
(a) Revenue:		
Sales of molybdenum concentrate	**122,179**	345,561
Trading of minerals resources	**29,495**	17,590
Property management fee income	**6,850**	6,551
	158,524	369,702
(b) Other income:		
Bank interest income	**447**	618
Imputed interest income arising from amortisation of promissory notes	**60,072**	43,580
Dividend income received from contingent assets	**11,276**	–
Sundry income	**2**	1,751
	71,797	45,949

4. OTHER GAINS AND LOSSES

	Group 2013 HK$'000	2012 HK$'000
Amortisation of prepaid lease payments	**(5,997)**	(5,889)
Amortisation of mining right	**(98,227)**	(84,066)
Gain/(Loss) arising from change in fair value of financial liabilities designated at FVTPL	**470,208**	(624,009)
Loss arising from change in fair value of promissory notes	**–**	(49,745)
Gain on disposal of subsidiaries	**–**	20,733
Loss on disposal of an associate	**(213,754)**	–
Reversal of impairment loss on trade and bills receivables	**–**	6,972
Impairment loss on mining right	**(18,461)**	(299,582)
	133,769	(1,035,586)

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 resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Information regarding the above segments is reported below.

5.1 Operating segment information

Segment revenue and results

For the year ended 31 December 2013

			Mining operation			
	Property leasing[2]	**Property management**	**Mining exploitation[3]**	**Mining exploration[4]**	**Trading of mineral resources**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'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**

For the year ended 31 December 2012

			Mining operation			
	Property leasing[2]	Property management	Mining exploitation[3]	Mining exploration[4]	Trading of mineral resources	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
Segment turnover	–	6,551	345,561	–	17,590	369,702
Results[1]						
Segment results	–	238	(321,791)	(4,921)	(1,814)	(328,288)
Unallocated corporate income						52,919
Unallocated corporate expenses						(687,757)
Loss before income tax						(963,126)
Income tax						(5,420)
Loss for the year						(968,546)

1. 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 resources allocation and performance assessment.

2. For the year ended 31 December 2013 and 2012, there is no segment result for property leasing operation.

3. For the year ended 31 December 2013, segment results for mining exploitation included an impairment loss on mining rights of approximately HK$18,461,000 (2012: HK$299,582,000), amortisation of mining rights of approximately HK$98,227,000 (2012: HK$84,066,000) and reversal of deferred tax liabilities of approximately HK$29,172,000 (2012: HK$95,912,000) and operating expenses which are directly related to the reportable segment.

4. For the year ended 31 December 2013, there is no segment result for mining exploration. For the year ended 31 December 2012, segment result for mining exploration represented the administrative expenses incurred to the reportable segment.

Segment assets and liabilities

As at 31 December 2013

			Mining operation				
	Property leasing	**Property management**	**Mining exploitation**	**Mining exploration**	**Trading of mineral resources**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	**–**	**660**	**2,712,154**	**–**	**55,892**	**2,126,048**	**4,894,754**
Segment liabilities	**–**	**1,115**	**1,138,131**	**–**	**1,591**	**149,577**	**1,290,414**
As at 31 December 2012							
Segment assets	–	595	2,570,119	–	58,515	2,296,926	4,926,155
Segment liabilities	–	1,047	999,519	–	1,679	650,370	1,652,615

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	Property management	Mining operation: Mining exploitation	Mining operation: Mining exploration	Mining operation: Trading of mineral resources	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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	**–**	**–**	**20,396**	**–**	**–**	**134**	**20,530**
As at 31 December 2012							
Depreciation and amortisation	–	1	116,942	–	–	723	117,666
Impairment loss recognised during the year	–	–	299,582	–	–	–	299,582
Capital expenditures	–	–	73,508	–	–	6,734	80,242

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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**237,717**	495,215
The PRC	**158,524**	369,702	**4,657,037**	4,430,940
	158,524	369,702	**4,894,754**	4,926,155

5.3 Information about major customers

Included in revenue of approximately HK$158,524,000 (2012: HK$369,702,000), was a total of approximately HK$58,596,000 (2012: HK$129,499,000) derived from sales to the Group's largest customer. The Group's five largest customers account for approximately HK$109,077,000 (2012: HK$283,818,000) to the Group's total revenue for the year ended 31 December 2013. No other single customer has contributed 10% or more to the Group's revenue for the years ended 31 December 2013 and 2012.

6. FINANCE COSTS

	Group 2013 HK$'000	2012 HK$'000
Interest on bank loans and other borrowings wholly repayable within five years	**22,708**	12,071

7. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Group 2013 HK$'000	2012 HK$'000
Auditors' remuneration	**900**	900
Cost of inventories expensed	**136,345**	335,223
Depreciation of property, plant and equipment	**19,602**	33,600
Staff costs (including directors' remuneration)		
— Wages and salaries	**13,208**	16,017
— Retirement benefits contributions	**1,499**	1,438
Operating lease payments in respect of offices premises	**2,885**	1,713

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 2013 HK$'000	2012 HK$'000
Current tax:		
PRC corporate income tax	**9,414**	5,420
Hong Kong profits tax	**–**	–
Deferred tax	**(29,172)**	(95,912)
	(19,758)	(90,492)

9. DIVIDENDS

The Directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2013 (2012: Nil).

10. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share amount is based on the net profit for the year of HK$194,012,000 (2012: net loss of HK$852,471,000) attributable to equity holders of the Company, and weighted average of 14,310,096,161 (2012: 13,175,630,408) ordinary shares in issue during the year.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share amount is based on the net profit for the year 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 (2012: 13,175,630,408) in issue during the year, as used in the basic earning per share calculation, and the weighted average number of ordinary shares 2,170,000,000 (2012: 2,600,000,000) 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 year.

11. OTHER FINANCIAL ASSETS

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

Ding Jin Promissory Note

During the year ended 31 December 2011, the Group 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 notes 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 2013 HK$'000	Group 2012 HK$'000
Trade and bills receivables	**13,091**	39,870

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

	Group 2013 HK$'000	Group 2012 HK$'000
0–30 days	**699**	20,297
31–60 days	**2,411**	10,140
61–90 days	**317**	9,433
91–180 days	**9,664**	–
Over 180 days but within one year	**–**	–
	13,091	39,870

Movements in impairment of trade and bills receivables are as follows:

	Group 2013 HK$'000	Group 2012 HK$'000
At the beginning of year	**–**	6,999
Exchange realignment	**–**	(27)
Reversal of impairment	**–**	(6,972)
At the end of year	**–**	–

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

	Group 2013 HK$'000	Group 2012 HK$'000
31–60 days	**2,411**	10,140
61–90 days	**317**	9,433
91–180 days	**9,664**	–
Over 180 days but within one year	**–**	–
	12,392	19,573

For the year ended 31 December 2013, 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 (2012: Nil).

The directors consider that the fair values of trade and bills 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 2013, balance of prepayments, deposits and other receivables included refundable investment deposits of HK$380,735,000 (RMB300,000,000) in respect of a possible acquisition of a potassium mine located in Shangluo City, Luo Nan Xian, Shannxi 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 by 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.

14. TRADE PAYABLES

	Group	
	2013	2012
	HK$'000	*HK$'000*
0–30 days	**12,630**	29,554
31–60 days	**2,888**	15,587
61–90 days	**2,214**	2,557
91–180 days	**3,422**	4,503
Over 180 days but within one year	**47,008**	63,401
	68,162	115,602

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

15. OTHER FINANCIAL LIABILITIES

On 19 July 2011, the Company issued an option ("CN Option") to potential subscribers the rights to fully or partially subscribe 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 HK$124,700,000 has been subscribed and exercised in April 2013. The convertible notes are interest free with a maturity of three years from the date of issuance.

The fair value of the CN Option is determined using the Binomial Option Pricing Model with reference to the parameters listed as below:

	2013	2012
Share price *(HKD)*	**0.310**	0.510
Strike price *(HKD)*	**0.290**	0.290
Time to maturity	**0.553**	1.553
Risk free rate *(%)*	**0.144**	0.115
Credit spread *(%)*	**2.330**	2.850
Volatility *(%)*	**43.670**	46.090

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL FINANCIAL PERFORMANCE

Five years after the financial crisis, the global economy still kept low growth due to various political and economic factors. For the molybdenum market in 2013, there was no significant improvement in the operation of the molybdenum market. The overall market trend went slightly downwards amid fluctuations and adjustments.

During the year under review, the Group recorded a turnover of approximately HK$158,524,000, representing a decrease of approximately 57% over 2012 (2012: approximately HK$369,702,000). Turnover attributable to mining business operations, which is the Group's major operation, amounted to approximately HK$148,207,000 (2012: approximately HK$363,151,000), represents approximately 93% (2012: 98%) of the Group's total turnover for the year then ended. For the year ended 31 December 2013, the Group recorded a profit attributable to owners of the Company of approximately HK$194,012,000 (2012: loss of approximately HK$852,471,000), representing an increase of HK$1,046,483,000 as compared to that of year ended 31 December 2012. The increase in profit is mainly due to the fair value gain of financial liabilities designated as at fair value through profit or loss ("financial liabilities designated as at FVTPL") which amounted to approximately HK$470,208,000 (2012: loss of approximately HK$624,009,000).

BUSINESS REVIEW

The principal activities of the Group are (i) mining operations — exploitation, exploration and trading of mineral resources and (ii) property management operations. An analysis 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 4,716 tonnes (2012: 3,946 tonnes). The sales volume of molybdenum concentrate was about 1,872 tonnes (2012: 5,412 tonnes). The grade of molybdenum concentrate was approximately 42%–45%. The average selling price of molybdenum concentrate was about HK$65,281 per tonne (2012: HK$63,851). During the year under review, Jiu Long Kuang Ye contributed revenue of approximately HK$148,207,000 (2012: approximately HK$363,151,000) to the Group. The cost of sales was approximately HK$127,040,000 (2012: approximately HK$335,223,000). Gross profit amounted to approximately HK$21,167,000 (2012: approximately HK$27,928,000) and the profit margin was 14.28% (2012: 7.69%),

* *For identification purposes only*

representing a increase of approximately 6.59% (2012: 24.31%). The increase in profit margin was mainly due to increase in sales of a by-product in addition to molybdenum concentrate in 2013 when compared with 2012. For the year ended 31 December 2013, the operating result of Jiu Long Kuang Ye include an amortization of mining rights of approximately HK$98,227,000 (2012: HK$84,066,000) and impairment loss on mining rights of approximately HK$18,461,000 (2012: HK$299,582,000).

The Directors hired an independent professional valuation firm to determine the value in use of the Company's mining operation and 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 and (ii) major operating expenses. The assumptions used in forecasting the (i) sales of molybdenum concentrate are the average molybdenum price over the past years, 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 12.45%. The value in use as derived was amounted to approximately HK$1,956,000,000 which is lower than the carrying amount of mining right that amounted to approximately HK$1,974,461,000. As a result, the Directors concluded that impairment on such mining right is provided at approximately HK$18,461,000 for the year ended 31 December 2013.

(ii) Property management operations

For the year ended 31 December 2013, the turnover generated from the property management operation was approximately HK$6,850,000 (2012: HK$6,551,000), representing a growth of approximately 4.56% (2012: 25.79%). The operation of property management during the year of 2013 was fairly stable.

Other Business

Associates

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

On 17 December 2013, Golden Finance Company Limited ("Golden Finance"), a wholly owned subsidiary of the Company, has entered into a disposal agreement in relation to the disposal of 25% of the entire issued share capital of Rui Sui Kuang Ye (the "Sale Shares") and the shareholder's loan due from Rui Sui Kuang Ye to Golden Finance of approximately HK$58,000,000 at an aggregate consideration of HK$500,000,000. The Consideration was satisfied by way of promissory note which is secured by the Sale Shares.

Other Financial Assets

As at 31 December 2013, the Group had four promissory notes, namely Ding Jin Promissory Note, Rui Sui Promissory Note, Yi Tong Promissory Note and Bai Shan Promissory Note, 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, 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 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 with maturity date of 3 years from the issue date of the promissory notes.

* *For identification purposes only*

Bai Shan Promissory Note

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$500,000,000 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.

Contingent assets

During the year under review, the Group received dividend of approximately HK$11,276,000 from Xian Communication University Second Affiliated Middle School Southern District. 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

According to the economic prediction of the International Monetary Fund, the global GDP growth in 2014, is expected to grow slightly from 2.8% in 2013 to 3.1%. Since the outbreak of the financial crisis, the oversupply in the domestic molybdenum market persisted due to the increase in the production volume of molybdenum concentrates and the accumulation in stock. However, the PRC molybdenum industry started destocking since last year which relieved the oversupply pressure to a certain extent. Therefore, the Company expects that the demand of molybdenum can be kept slight growth and the price decline in the molybdenum market will be limited in 2014.

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$124,700,000 (2012: inflow of approximately HK$344,196,000) which was mainly arising from the placing of 430,000,000 new Shares at a price of HK$0.29 per Share and the issue of the convertible notes in the amount of HK$252,000,000. In 2011, the Company entered into a convertible note option agreement, pursuant to which the Company has the right to request the potential subscribers to subscribe for the convertible notes to be issued by the Company for cash up to HK$754,000,000. Details were disclosed in the Company's announcement dated 19 July 2011. With the amounts of cash on hand amounted to approximately HK$44,907,000 as at 31 December 2013 (2012: approximately HK$368,501,000), together with the proposed convertible notes which may be issued at the option of the Company, the Board considered that the Group's liquidity position is healthy.

As at 31 December 2013, the Group had outstanding bank borrowings in the amount of approximately HK$114,094,000 (2012: approximately HK$94,611,000). The Group's gearing ratio as at 31 December 2013 was approximately 6.4% (2012: 2.9%). The increase in gearing ratio was mainly due to the increase in interest bearing bank borrowings during the year. 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 2013, the Group's current ratio was approximately 1.06 (2012: approximately 0.6). The increase in current ratio was mainly due to the increase in current assets in the Group's mining operation during the year under review. As at 31 December 2013, the Group's debt to equity ratio was approximately 0.41 (2012: approximately 0.59). The decrease in debt to equity ratio was mainly due the increase in reserves during the year under review. The ratio was calculated by dividing the total liabilities of approximately HK$1,290,414,000 (2012: approximately HK$1,652,615,000) by equity attributable to owners of the Company of approximately HK$3,143,071,000 (2012: approximately HK$2,782,507,000). 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 2013 mainly comprised of current assets of approximately HK$821,819,000 (2012: approximately HK$652,204,000), current liabilities of approximately HK$772,453,000 (2012: approximately HK$1,047,140,000) and equity attributable to owners of the Company of approximately HK$3,143,071,000 (2012: approximately HK$2,782,507,000). Current assets mainly comprised of cash and cash equivalents of approximately HK$44,907,000 (2012: approximately HK$368,501,000), inventories of approximately HK$212,906,000 (2012: approximately HK$104,813,000) and prepayments, deposits and other receivables of approximately HK$522,127,000 (2012: approximately HK$115,609,000). Current liabilities mainly comprised of borrowings of approximately HK$231,498,000 (2012: approximately HK$94,611,000), trade payables of approximately HK$68,162,000 (2012: approximately HK$115,602,000), accruals and other payables of approximately HK$140,586,000 (2012: approximately HK$112,823,000), other financial liabilities of approximately HK$176,801,000 (2012: HK$647,009,000) environmental resources tax of approximately HK$76,147,000 (2012: nil) and amounts due to related parties of approximately HK$59,750,000 (2012: HK$67,577,000).

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 ending on 19 July 2014. If all of the

CN Option are issued and validly exercised, the Company will issue an aggregate principal amount of up to HK$754,000,000 of 2011 Convertible Notes. Assuming the conversion rights attached to the 2011 Convertible Notes are exercised in full at the conversion price of HK$0.29, a total of 2,600,000,000 conversion shares (the "Conversion Shares") will be allotted and issued, representing approximately 18.57% of the then issued share capital of the Company and approximately 15.66% of the entire issued share capital when all the Conversion Shares are allotted and issued.

On 28 March 2013, one of the potential subscribers of the 2011 Convertible Notes partially subscribed for the 2011 Convertible Notes in the amount of HK$124,700,000. This subscriber exercised the conversion rights attaching to the abovementioned Convertible Notes on 15 April 2013 and 430,000,000 Conversion Shares have been allotted to this subscriber.

Treasury Policies

During the year ended 31 December 2013, 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 2013, the Group did not employ any financial instruments for hedging purpose and was not engaged in foreign currency speculative activities.

BANK BORROWING AND CHARGES OF GROUP ASSETS

As at 31 December 2013, the Group had bank borrowings amounted to approximately HK$114,094,000 (2012: HK$94,611,000). As at 31 December 2013, the Group's interest-bearing bank loans were carried at effective interest rates from 6.6% to 10.95% per annum and were secured by (i) the molybdenum concentrate as included in inventories amounted to 3,147 tons; (ii) personal guarantee from a subsidiary of the Group and the subsidiary's director; (iii) corporate guarantee provided by an independent guarantee company with a counter-guarantee of property, plant and equipment provided by the Group's subsidiary; (iv) personal guarantee from the subsidiary's minority shareholders.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group had no significant contingent liabilities (2012: Nil).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2013, the Group employed 540 full time employees (2012: 689 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 years ended 31 December 2009, 2010, 2011 and 2012 contained a qualification on the possible effect of the limitations on the scope of the audit in relation to (i) a property development project held by a subsidiary of the Company; and (ii) provision of environmental and resources tax. Details of which has been set out in the auditor's report dated 25 March 2013 and was included in the Group's annual report for the year ended 31 December 2012.

As the auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2012 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 (i) the carrying amount of the abovementioned property development project and (ii) the provision of environmental and resources tax would have a significant effect on the opening balances and consequential effect on the consolidated financial position of the Group as at 31 December 2013 and the results and cash flows for the year ended 31 December 2013 and the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2013.

Qualified opinion arising from limitation of audit scope

In our opinion, except for the effects of the matters described in the basis of 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 2013 and of the Group's profit or 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 disclosures 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 2013, 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:

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2013, Mr. Gao Yuan Xing performed the roles of the Chairman and the Chief Executive Officer of the Company. In allowing the two positions to be occupied by the same person, the Company has considered that both positions require in-depth knowledge and considerable experience of the Group's business. Candidates with the requisite knowledge, experience and leadership are difficult to identify. If either of the positions is occupied by an unqualified person, the Group's performance could be gravely compromised. The Board also believes that the vesting of two roles in the same person would provide the Group with stable and consistent leadership and allows for more effective and efficient planning and implementation of long term business strategies. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

Under the code provision A.5.1 of the Code, company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. However, the Board considers that the setting up of such a nomination committee may not be necessary at the current scale of the Board and the Company. The Board is responsible for considering and approving the appointment of its members and making recommendations to shareholders on directors standing for re-election, providing sufficient biographical details of directors to enable shareholders to make an informed decision on the re-election, and where necessary, nominate and appoint directors to fill casual vacancies. The chairman may in conjunction with the other directors from time to time review the composition of the Board with particular regard to ensuring that there is an appropriate number of directors on the Board independent of management.

Under the code provision A.6.7 of the Code, independent non-executive directors should, inter alia, attend general meetings. Due to personal and other important engagement at the relevant time, Messrs. Mu Xiangming and Lo Wa Kei Roy were absent from the 2013 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 had 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 2013.

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 2013.

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 2013 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, 25 March 2014

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