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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 2015**

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 2015, together with the comparative figures for the year ended 31 December 2014, as follows:

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

*For the year ended 31 December 2015*

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
<b>Revenue</b>	<i>3(a)</i>	<b>245,969</b>	454,948
Cost of sales		<u>(225,774)</u>	<u>(399,130)</u>
<b>Gross profit</b>		<b>20,195</b>	55,818
Other income	<i>3(b)</i>	<b>85,439</b>	86,298
Other gains and losses	<i>4</i>	<b>(822,932)</b>	(308,188)
Administrative expenses		<u>(101,405)</u>	<u>(66,631)</u>
<b>Loss from operations</b>		<b>(818,703)</b>	(232,703)
Finance costs	<i>6</i>	<u>(16,949)</u>	<u>(19,619)</u>
<b>Loss before income tax</b>	<i>7</i>	<b>(835,652)</b>	(252,322)
Taxation	<i>8</i>	<u>125,690</u>	<u>36,392</u>
<b>Loss for the year</b>		<u><b>(709,962)</b></u>	<u>(215,930)</u>

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <b>HK\$'000</b>
<b>Attributable to:</b>			
Owners of the Company		<b>(436,220)</b>	(165,189)
Non-controlling interests		<b>(273,742)</b>	(50,741)
		<u><b>(709,962)</b></u>	<u>(215,930)</u>
<b>Loss for the year</b>		<u><b>(709,962)</b></u>	<u>(215,930)</u>
<b>Other comprehensive income (Net of tax effect):</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign subsidiaries		<u><b>(270,782)</b></u>	664
<b>Other comprehensive (loss)/income for the year</b>		<u><b>(270,782)</b></u>	664
<b>Total comprehensive loss for the year</b>		<u><b>(980,744)</b></u>	<u>(215,266)</u>
<b>Attributable to:</b>			
Owners of the Company		<b>(707,001)</b>	(162,266)
Non-controlling interests		<b>(273,743)</b>	(53,000)
		<u><b>(980,744)</b></u>	<u>(215,266)</u>
<b>Loss per share</b>			
— Basic, HK cents	<i>10(a)</i>	<u><b>(0.02)</b></u>	<u>(1.09)</u>
— Diluted, HK cents	<i>10(b)</i>	<u><b>(0.02)</b></u>	<u>(1.09)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	<i>Notes</i>	<b>31 December 2015 HK\$'000</b>	31 December 2014 HK\$'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		<b>545,198</b>	572,858
Prepaid lease payments		<b>62,128</b>	71,796
Mining rights		<b>1,104,387</b>	1,774,175
Other financial assets	<i>11</i>	–	992,985
Goodwill		<b>13,403</b>	–
Loan receivables		<b>191,068</b>	202,199
		<b>1,916,184</b>	3,614,013
<b>Current Assets</b>			
Other financial assets	<i>11</i>	<b>1,045,628</b>	805,376
Inventories		<b>411,032</b>	173,081
Investment deposits	<i>12</i>	<b>458,252</b>	379,123
Trade and bill receivables	<i>13</i>	<b>16,318</b>	8,688
Prepayments, deposits and other receivables	<i>14</i>	<b>374,381</b>	278,888
Tax recoverable		<b>15,225</b>	7,604
Cash and cash equivalents		<b>225,362</b>	102,238
		<b>2,546,198</b>	1,754,998
<b>Total Assets</b>		<b>4,462,382</b>	5,369,011
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>318,441</b>	265,641
Reserves		<b>3,222,263</b>	3,650,064
Equity attributable to owners of the Company		<b>3,540,704</b>	3,915,705
Non-controlling interests		<b>134,526</b>	408,269
<b>Total Equity</b>		<b>3,675,230</b>	4,323,974

		<b>31 December 2015</b>	31 December 2014
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Deferred tax liabilities		<u>301,801</u>	<u>447,107</u>
		<u>301,801</u>	<u>447,107</u>
<b>Current Liabilities</b>			
Trade and bill payables	15	76,663	63,654
Other payables and accruals		135,590	182,221
Bank loans and other borrowings		100,908	171,248
Amounts due to related parties		52,527	54,266
Provision for environmental and resources tax		95,534	101,099
Tax payables		<u>24,129</u>	<u>25,442</u>
		<u>485,351</u>	<u>597,930</u>
<b>Total Liabilities</b>		<u><u>787,152</u></u>	<u><u>1,045,037</u></u>
<b>Total Equity and Liabilities</b>		<u><u>4,462,382</u></u>	<u><u>5,369,011</u></u>
<b>Net Current Assets</b>		<u><u>2,060,847</u></u>	<u><u>1,157,068</u></u>
<b>Total Assets Less Current Liabilities</b>		<u><u>3,977,031</u></u>	<u><u>4,771,081</u></u>
<b>Net Assets</b>		<u><u>3,675,230</u></u>	<u><u>4,323,974</u></u>

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*For the year ended 31 December 2015*

### **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 instruments 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 provisions of the new Hong Kong Companies’ Ordinance, Cap. 622 in relation to the preparation of financial statements apply to the Company in this financial year. The Directors consider that there is no impact on the Group’s financial position or performance, however the new Hong Kong Companies Ordinance, Cap. 622 impacts on the preparation and disclosures on the consolidated financial statements.

### 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:

Amendment to HKAS 19	Defined benefit plans
Annual improvements 2012	Annual improvements 2010–2012 cycle
Annual improvements 2013	Annual improvements 2011–2013 cycle

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 2015 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 2015.

HKFRSs (Amendments)	Improvements 2012–2014 Cycle <sup>1</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>3</sup>
Amendments to HKFRS 10, 12 and HKAS 28	Investment entities applying the consolidation exception <sup>1</sup>
HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>

1 Changes effective for annual periods beginning on or after 1 January 2016

2 Changes effective for annual periods beginning on or after 1 January 2018

3 Changes effective for annual periods beginning on or after a date to be determined

The Group anticipates that the application of the above new or amended standards have no material impact on the results and the financial position of the Group.

### 3. REVENUE AND OTHER INCOME

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>(a) Revenue:</b>		
Sales of molybdenum concentrate	238,225	447,633
Property management fee income	7,744	7,315
	<u>245,969</u>	<u>454,948</u>
<b>(b) Other income:</b>		
Bank interest income	18	87
Imputed interest on promissory notes	69,745	84,429
Loan interest income	15,360	–
Sundry income	316	1,782
	<u>85,439</u>	<u>86,298</u>

### 4. OTHER GAINS AND LOSSES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Amortisation of prepaid lease payments	(5,953)	(6,042)
Amortisation of mining rights	(130,852)	(173,347)
Loss arising from change in fair value of financial liabilities designated as at FVTPL	–	(128,799)
Impairment loss on mining rights	(465,033)	–
Impairment loss on other receivables	(19,661)	–
Impairment loss on property, plan and equipment	(253,772)	–
Written down of inventories	(8,416)	–
Gain on disposal of contingent assets	60,755	–
	<u>(822,932)</u>	<u>(308,188)</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 2015

	Property leasing <sup>2</sup> HK\$'000	Property management HK\$'000	Mining operation			Total HK\$'000
			Mining exploitation <sup>3</sup> HK\$'000	Mining exploration <sup>4</sup> HK\$'000	Trading of mineral resources HK\$'000	
<b>Revenue</b>						
Segment turnover	-	7,744	238,225	-	-	245,969
<b>Results<sup>1</sup></b>						
Segment results	-	66	(784,629)	-	-	(784,563)
Unallocated corporate income						85,439
Unallocated corporate expenses						(10,822)
Loss before income tax						(709,946)
Income tax						(16)
Loss for the year						(709,962)



For the year ended 31 December 2014

	Property leasing <sup>2</sup> <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Mining operation		Trading of mineral resources <i>HK\$'000</i>	Total <i>HK\$'000</i>
			Mining exploitation <sup>3</sup> <i>HK\$'000</i>	Mining exploration <sup>4</sup> <i>HK\$'000</i>		
Revenue						
Segment turnover	<u>-</u>	<u>7,315</u>	<u>447,633</u>	<u>-</u>	<u>-</u>	<u>454,948</u>
Results <sup>1</sup>						
Segment results	<u>-</u>	<u>27</u>	<u>(138,031)</u>	<u>-</u>	<u>(3,532)</u>	<u>(141,536)</u>
Unallocated corporate income						84,429
Unallocated corporate expenses						<u>(151,878)</u>
Loss before income tax						(208,985)
Income tax						<u>(6,945)</u>
Loss for the year						<u>(215,930)</u>

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 resource allocation and performance assessment.
2. For the year ended 31 December 2015 and 2014 there is no segment result for property leasing operation.
3. For the year ended 31 December 2015, segment results for mining exploitation included impairment loss on mining rights of approximately HK\$465,033,000 (2014: Nil), amortisation of mining rights of approximately HK\$130,852,000 (2014: HK\$173,347,000), impairment loss on property, plant and equipment of approximately HK\$253,772,000 (2014: Nil) and reversal of deferred tax liabilities of approximately HK\$125,706,000 (2014: HK\$43,337,000) and operating expenses which are directly related to the reportable segment.
4. For the years ended 31 December 2015 and 2014, there are no segment results for mining exploration.

## Segment assets and liabilities

As at 31 December 2015

	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	-	460	1,288,140	-	-	3,173,782	4,462,382
Segment liabilities	-	799	781,149	-	-	5,204	787,152

As at 31 December 2014

Segment assets	-	734	2,617,335	-	45,926	2,705,016	5,369,011
Segment liabilities	-	1,146	1,041,766	-	82	2,043	1,045,037

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 2015							
Depreciation and amortisation	-	6	150,077	-	-	5,835	155,918
Impairment loss recognised during the year	-	-	727,044	-	-	11,422	738,466
Capital expenditures	-	-	35,854	-	-	-	35,854
As at 31 December 2014							
Depreciation and amortisation	-	4	191,632	-	-	5,993	197,629
Capital expenditures	-	-	267,799	-	-	8	267,807

## 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	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	–	–	<b>1,363,503</b>	1,340,758
The PRC	<b>245,969</b>	454,948	<b>3,098,879</b>	4,028,253
	<b>245,969</b>	454,948	<b>4,462,382</b>	5,369,011

## 5.3 Information about major customers

Included in revenue of approximately HK\$245,969,000 (2014: HK\$454,948,000), a total of approximately HK\$52,197,000 (2014: HK\$171,654,000) was derived from sales to the Group's largest customer. The Group's five largest customers account for approximately HK\$143,301,000 (2014: HK\$385,384,000). Two customers have contributed 10% or more to the Group's revenue for the years ended 31 December 2015 (2014: Nil).

## 6. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on bank loans and other borrowings wholly repayable within five years	<b>16,949</b>	19,619

## 7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Auditors' remuneration	<b>900</b>	900
Cost of inventories expensed	<b>219,556</b>	399,130
Depreciation of property, plant and equipment	<b>19,113</b>	18,240
Staff costs (including directors' remuneration)		
— Wages and salaries	<b>16,213</b>	13,061
— Retirement benefits contributions	<b>889</b>	1,201
Operating lease payments in respect of offices premises	<b>2,200</b>	4,533

## 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.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax:		
PRC corporate income tax	16	6,945
Hong Kong profits tax	–	–
Deferred tax	<u>(125,706)</u>	<u>(43,337)</u>
	<u><u>(125,690)</u></u>	<u><u>(36,392)</u></u>

## 9. DIVIDENDS

The Directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2015 (2014: Nil).

## 10. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share amount is based on the net loss for the year of approximately HK\$436,220,000 (2014: net loss of HK\$165,189,000) attributable to equity holders of the Company, and weighted average of 17,497,137,256 (2014: 15,223,246,846) 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 2015 (2014: Nil).

## 11. OTHER FINANCIAL ASSETS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Analysed as		
Promissory notes receivable — non-current portion	–	992,985
Promissory notes receivable — current portion	<u>1,045,628</u>	<u>805,376</u>
	<u><u>1,045,628</u></u>	<u><u>1,798,361</u></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.

#### **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.

#### **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. During the year ended 31 December 2015, the promissory notes were fully settled.

#### **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. During the year ended 31 December 2015, the promissory notes were fully settled.

## **12. INVESTMENT DEPOSITS**

As at 31 December 2015, balance of investment deposits comprise of:

- (i) Refundable investment deposits of approximately HK\$358,252,000 (RMB:300,000,000) (2014: HK\$379,123,000 (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 31 August 2015, the Group has terminated the acquisition. Subsequent to the reporting period, the vendor has refunded the investment deposit in the amount of RMB 300,000,000 to the Group.
- (ii) During the year ended 31 December 2015, the Group paid an investment deposit of HK\$100,000,000 in relation to the acquisition of 65% equity interest of Shanghai Hua Tun Financial Information Service Company Limited. On 15 December 2015, the Group has terminated the acquisition. Pursuant to the termination agreement, Shanghai Hua Tun Financial Information Service Company Limited shall refund the deposit in the amount of HK\$100,000,000 (i.e. equivalent to the cash value of the Consideration Shares) in full.

### 13. TRADE AND BILL RECEIVABLES

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade and bill receivables	<b>16,318</b>	8,688

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0–30 days	<b>9,133</b>	4,343
31–60 days	<b>479</b>	1,264
61–90 days	–	1,137
91–180 days	<b>1,927</b>	127
Over 180 days but within one year	<b>4,779</b>	1,817
	<b>16,318</b>	8,688

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
31–60 days	<b>479</b>	1,264
61–90 days	–	1,137
91–180 days	<b>1,927</b>	127
Over 180 days but within one year	<b>4,779</b>	1,817
	<b>7,185</b>	4,345

For the year ended 31 December 2015, 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 (2014: 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.

#### 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 31 December 2015, included in balance of prepayments, deposits and other receivables were loan receivables amounted to approximately HK\$173,154,000 (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.

#### 15. TRADE AND BILL PAYABLES

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0–30 days	<b>6,699</b>	17,979
31–60 days	<b>396</b>	3,141
61–90 days	<b>103</b>	4,487
91–180 days	<b>1,076</b>	18,827
Over 180 days but within one year	<b>68,389</b>	19,220
	<hr/> <b>76,663</b> <hr/>	<hr/> 63,654 <hr/>

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERALL FINANCIAL PERFORMANCE**

During the year under review, North Mining Shares Company Limited (the “Company”) and its subsidiaries (collectively the “Group”) recorded a revenue of approximately HK\$245.9 million, representing a decrease of approximately 46% as compared with 2014 of approximately HK\$454.9 million). Revenue attributable to mining business operations, which is the Group’s major operation, amounted to approximately HK\$238.2 million (2014: approximately HK\$447.6 million), represents a decrease of approximately 47% of the Group’s total turnover for the year ended 31 December 2015.

For the year ended 31 December 2015, the Group recorded a loss attributable to owners of the Company of approximately HK\$436.2 million (2014: loss of approximately HK\$165.2 million), representing an increase of 164% as compared with last year. The increase in loss was mainly due to the impairment loss on mining rights and property, plan and equipment of approximately HK\$465.0 million and HK\$253.8 million respectively.

### **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. There was no change in business segment during the year under review. An analysis of each of these business segments is presented below:

#### **Mining Operations — Exploitation and Exploration and Trading of Mineral Resources**

The Group’s mining operation mainly includes the exploitation and production of molybdenum concentrate in the PRC. Our molybdenum concentrate was produced by the molybdenum mine operated by Shaanxi Province Luo Nan Xian Jiu Long Kuang Ye Company Limited (“Jiu Long Kuang Ye”), a non-wholly owned subsidiary of the Group. The grading of molybdenum concentrate produced by our molybdenum mine was approximately 45%–50%. The operating performance of our mining operation is summarised below:

During the year under review, the volume of molybdenum concentrate produced was approximately 4,097 tonnes (2014: 8,760 tonnes). The sales volume of molybdenum concentrate was approximately 4,876 tonnes (2014: 7,266 tonnes). The average selling price of molybdenum concentrate was approximately HK\$48,862 per tonne (2014: HK\$61,607). During the year under review, the Group’s mining operation contributed revenue of approximately HK\$238.2 million (2014: approximately HK\$447.6 million) to the Group. The cost of sales was approximately HK\$218.8 million (2014: approximately HK\$392.9 million). Gross profit amounted to approximately HK\$19.5 million (2014: approximately HK\$54.7 million) and the gross profit margin was 8.2% (2014: 12.2%), representing a decrease of 4% as compared with last year (2014: decrease 2.05%). The decrease in gross profit margin was mainly due to the decrease in average selling price of molybdenum concentrate about HK\$61,607 per tonne in 2014 to HK\$48,862 per tonne in 2015.



For the purpose of impairment testing, the directors of the Company (the “Directors” or the “Board”) hired an independent professional valuation firm to assess the value in use of the Group’s mining operation on yearly basis. The basis for assessing the value in use was based on Discount Cash Flow method (“DCF”). In the opinion of the Directors, the adoption of DCF method is the best to reflect the value in use of the Group’s mining operation. During the year under review, there was no change in the 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 sources data and inputs of the DCF were mainly comprised of (i) the estimated sales of molybdenum concentrate; and (ii) major operating expenses. The assumptions used in the DCF were mainly related to forecasting the (i) estimated sales volume of molybdenum concentrate based on the corresponding molybdenum production plan; (ii) the average molybdenum price over the past years; (iii) major operating expenses which are determined based on actual daily operating expenditures; (iv) management’s best estimate of future cash outflow including changes in working capital and the incremental capital expenditure foreseeable to be incurred. The discount rate of 13% has been used for the DCF projections which was is formulated by the Weighted Average Cost of Capital.

Based on the assessment of the value in use, an impairment loss on mining right and property, plant and equipment of approximately HK\$465.0 million and HK\$ 253.8 million respectively have been provided in the consolidated financial statements for the year ended 31 December 2015. In the opinion of the Directors, the impairment loss was mainly due to (i) decrease in selling price of molybdenum; and (ii) increase in production costs.

The Directors considered the prospect of the domestic molybdenum market showed a rising price trajectory amid a declining trading volume in recent months. The higher quoted price of large smelters, coupled with the sellout of molybdenum mining enterprises, boosted the rising molybdenum price. The prices of the downstream molybdenum processed products were raised in response to the significant increase in the raw materials purchasing cost, resulting in the increasing prices in many products, especially a significant increase in ferromolybdenum and ammonium tetramolybedate. Due to less supply that led to a rising price in the domestic molybednum concentrate market, the price of general grade molybdenum concentrate increased. In line with an increasing selling price of ferromolybenum the cash price offered in the free market was also increased.

It is expected in the trading market that the price of molybdenum in the domestic market will keep rising as there still exists a supply shortage of molybdenum concentrates. Meanwhile, large smelters are confident to maintain the current price. It is very obvious that the price of primary molybdenum products rose despite a limited trading volume, and that the downstream processed products price started to catch up. Based on the rising molybdenum prices in recent months and the analysis over this trajectory, both the domestic or international markets are optimistic about the rising price of molybdenum concentrate and deep-processed molybdenum products.

## **Property management operations**

During the year under review, the performance of the Group's property management operations was relatively stable. For the year ended 31 December 2015, revenue generated from this segment was approximately HK\$7.7 million (2014: HK\$7.3 million), represents a growth of approximately 5.5% (2014: 6.8%) as compared to last year.

## **Property leasing operations**

The Group did not have any investment properties held for leasing as at 31 December 2015 (2014: HK\$ Nil). In view of the significant fluctuation of property market in the PRC, the Directors will closely monitor the property market and carefully identify the possible investment properties in the future when the property market in the PRC becomes stable.

## **Other Financial Assets**

Detail of the financial assets held by the Group is set out below:

### *Bai Shan Promissory Notes*

During the year ended 31 December 2013, the Group disposed of 25% of the entire equity interests in Rui Sui Kuang Ye Mining Company Limited ("Rui Sui") for an aggregate consideration of HK\$500 million which was satisfied by a promissory note receivable with a principal 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. Under this agreement, the Group has subscribed 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. During the year ended 31 December 2015, Rui Sui promissory notes were fully settled.

### *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. During the year ended 31 December 2015, Yi Tong Promissory Notes was fully settled.

### *Material Acquisition and Disposal*

On 22 August 2014, the Company announced that it entered into an acquisition agreement (the “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 at a consideration of HK\$4,722,900,000. 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. As certain conditions precedent have not been fulfilled or waived, the Acquisition Agreement was terminated by the parties on 31 August 2015.

### *Contingent assets*

During the year under review, the Group had disposed of the land and property rights of Xian Communication University Second Affiliated Middle School Southern District (“Middle School”) at a cash consideration of RMB50 million. The Middle School was a compensation asset receivable by the Group resulting from 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**

Despite the economic downturn in 2015 which lead the decrease in demand and the price of molybdenum concentrate, in coming year, the Group will continue to focus on its mining operation, which is the core business of the Group and to locate its internal resources not only to support the its operation, but further to expand its production capacity to proper equip ourselves for future raise in the demand of molybdenum concentrate. Moreover, the Group is also committed to continue identifying investment opportunities that can enhance the Group’s business development and strength its earning base. Nevertheless, 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's liquidity position was healthy and recorded a cash inflow of approximately HK\$123.1 million (2014: inflow of approximately HK\$629.3 million) which was mainly arising from the settlement of two promissory notes receivable, namely Rui Sui Promissory Note and Yi Tong Promissory Note.

As at 31 December 2015, the Group had outstanding bank borrowings at the amount of approximately HK\$100.9 million (2014: approximately HK\$103.0 million). The Group's gearing ratio as at 31 December 2015 was approximately 3% (2013: 4.0%). 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 under review. 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 2015, the Group's current ratio was approximately 5.25 (2014: approximately 2.94).

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 2015, the Group's debt to equity ratio was approximately 0.22 (2014: approximately 0.27). 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\$787.1 million (2014: approximately HK\$1,045.0 million) by equity attributable to owners of the Company of approximately HK\$3,540.7 million (2014: approximately HK\$3,915.7 million). 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 2015 mainly comprised of current assets of approximately HK\$2,546.2 million (2014: approximately HK\$1,755.0 million), current liabilities of approximately HK\$485.3 million (2014: approximately HK\$597.9 million) and equity attributable to owners of the Company of approximately HK\$3,540.7 million (2014: approximately HK\$3,915.7 million).

Current assets mainly comprised of (i) cash and cash equivalents of approximately HK\$225.4 million (2014: approximately HK\$102.2 million); (ii) inventories of approximately HK\$411.0 million (2014: approximately HK\$173.1 million); (iii) prepayments, deposits and other receivables of approximately HK\$374.4 million (2014: approximately HK\$278.9 million); and (iv) investment deposits of approximately HK\$458.3 million (2014: approximately HK\$379.1million).

Current liabilities mainly comprised of (i) borrowings of approximately HK\$100.9 million (2014: approximately HK\$171.2 million); (ii) trade payables of approximately HK\$76.7 million (2014: approximately HK\$63.7 million); (iii) accruals and other payables of approximately HK\$135.6 million (2014: approximately HK\$182.2 million); (iv) and amounts due to related parties of approximately HK\$52.5 million (2014: approximately HK\$54.3 million).

### **Treasury Policies**

During the year ended 31 December 2015, 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 years ended 31 December 2015 and 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 2015, the Group had bank and other borrowings amounted to approximately HK\$100.9 million (2014: HK\$171.2 million). As at 31 December 2015, 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 2015, the Group had no significant contingent liabilities (2014: Nil).

### **HUMAN RESOURCES AND REMUNERATION POLICY**

As at 31 December 2015, the Group employed 820 full time employees (2014: 570 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.

### **SCOPE OF WORK OF ELITE PARTNERS CPA LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditors, Elite Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2015. The work performed by Elite Partners Limited in this respect did not constitute an assurance

engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners CPA Limited on the preliminary announcement.

## **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*

Our audit opinion on the consolidated financial statements of Group for the year ended 31 December 2014, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified because of possible effects of the limitations on scope of our audit, details of which are set out in our audit report dated 26 March 2015.

As the auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2014 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 limitation of audit scope would have a significant effect on the opening balances and consequential effect on the results and cash flows for the year ended 31 December 2015 and the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2015.

Any adjustments to this matters as described above might have a consequential effect on the Group's financial performance for the year ended 31 December 2015, and the related disclosures thereof in the consolidated financial statements.

### **Qualified opinion**

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 2015 and of the Group's loss 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 2015, 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.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 Company has set out a board diversity policy (the “Policy”) for achieving diversity on board of directors of the Company. The Policy provide a sustainable and balanced development in Company’s strategic objectives. The Board review the Policy annually and ensure the effectiveness of the Policy.

2. 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 2015 annual general meeting of the Company.

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

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

## **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 2015.

## **AUDIT COMMITTEE**

The audit committee comprises three independent non-executive directors, namely Messrs. William Fong, Leung Kar Fai and Cheng Chak Ho. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting system, risk management and internal control systems of the Group. The audit committee has reviewed the Group's financial statements for the year ended 31 December 2015.

## **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](http://www.hkex.com.hk) and the Company's website at [www.northmining.com.hk](http://www.northmining.com.hk). The 2015 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**  
**Yang Ying Min**  
*Chairman*

Hong Kong, 16 March 2016

*As at the date of this announcement, the Board of the Company comprises Mr. Yang Ying Min, Mr. Qian Yi Dong, Mr. Zhang Jia Kun and Ms. Li Li Juan as Executive Directors; and Mr. William Fong, Mr. Leung Kar Fai and Dr. Cheng Chak Ho as Independent Non-executive Directors.*