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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	211,451	141,763
Cost of sales		(163,202)	(109,004)
Gross profit		48,249	32,759
Other income and gains	4	42,272	40,993
General and administrative expenses		(34,490)	(37,329)
Other operating expenses		(33,540)	(23,526)
Profit from operations	6	22,491	12,897
Finance costs	7	(7,327)	(5,410)
Share of result of associate		–	(447)
Profit before taxation		15,164	7,040
Taxation	8	5,048	(846)
Profit for the period		20,212	6,194

		Six months ended 30 June	
		2014	2013
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit attributable to:			
Owners of the Company		18,790	5,721
Non-controlling interests		1,422	473
		20,212	6,194
Earnings per share			
— Basic, HK cents	<i>10</i>	0.14	0.04
— Diluted, HK cents	<i>10</i>	0.14	0.04

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>20,212</u>	<u>6,194</u>
Other comprehensive income (Net of tax effect):		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising from translation of foreign subsidiaries	<u>(6,024)</u>	<u>(39,281)</u>
Other comprehensive loss for the period	<u>(6,024)</u>	<u>(39,281)</u>
Total comprehensive income/(loss) for the period	<u>14,188</u>	<u>(33,087)</u>
Attributable to:		
Owners of the Company	12,766	(18,655)
Non-controlling interests	<u>1,422</u>	<u>(14,432)</u>
	<u>14,188</u>	<u>(33,087)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		30 June 2014	31 December 2013
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
ASSETS			
<i>Non-Current Assets</i>			
Property, plant and equipment		427,088	324,827
Prepaid lease payments		74,557	78,176
Mining rights		1,910,430	1,956,000
Other financial assets	<i>11</i>	1,754,927	1,713,932
		4,167,002	4,072,935
<i>Current Assets</i>			
Inventories		120,005	212,906
Trade and bills receivables	<i>12</i>	94,734	13,091
Prepayments, deposits and other receivables		513,390	522,127
Tax recoverable		12,937	28,788
Cash and cash equivalents		59,491	44,907
		800,557	821,819
Total Assets		4,967,559	4,894,754
CAPITAL AND RESERVES			
Share capital		233,321	230,921
Reserves		2,966,016	2,912,150
Equity attributable to owners of the Company		3,199,337	3,143,071
Non-controlling interests		462,691	461,269
Total Equity		3,662,028	3,604,340
LIABILITIES			
<i>Non-Current Liabilities</i>			
Deferred tax liabilities		481,159	492,579
Provision for environmental and resources tax		25,187	25,382
		506,346	517,961

	30 June 2014 <i>HK\$'000</i> (Unaudited)	31 December 2013 <i>HK\$'000</i> (Audited)
<i>Current Liabilities</i>		
Trade payables	102,201	68,162
Other payables and accruals	320,435	140,586
Bank loans and other borrowings	95,580	231,498
Other financial liabilities	176,801	176,801
Amounts due to related parties	26,445	59,750
Provision for environmental and resources tax	75,557	76,147
Tax payables	2,166	19,509
	<u>799,185</u>	<u>772,453</u>
Total Liabilities	<u>1,305,531</u>	<u>1,290,414</u>
Total Equity and Liabilities	<u>4,967,559</u>	<u>4,894,754</u>
Net Current Assets	<u>1,372</u>	<u>49,366</u>
Total Assets less Current Liabilities	<u>4,168,374</u>	<u>4,122,301</u>
Net Assets	<u>3,662,028</u>	<u>3,604,340</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Six Months Ended 30 June 2014

	Attributable to owners of the Company							Attributable to Non-controlling interests	Total equity
	Share capital	Share premium	Contributed surplus	Capital reserve	Statutory reserve	Exchange reserve	Accumulate loss/ Retained earning		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	230,921	2,688,625	31,350	(894)	12,677	297,964	(117,572)	3,143,071	3,604,340
Profit and total comprehensive									
Income/(loss) for the period	–	–	–	–	–	–	18,790	1,422	20,212
Exchange difference arising from translation of foreign subsidiaries	–	–	–	–	–	(6,024)	–	–	(6,024)
Exercise of convertible note option	2,400	41,100	–	–	–	–	–	–	43,500
At 30 June 2014	<u>233,321</u>	<u>2,729,725</u>	<u>31,350</u>	<u>(894)</u>	<u>12,677</u>	<u>291,940</u>	<u>(98,782)</u>	<u>3,199,337</u>	<u>3,662,028</u>
At 1 January 2013	224,041	2,570,805	31,350	(894)	12,677	256,112	(311,584)	2,782,507	3,273,540
Exercise of convertible note option	6,881	117,820	–	–	–	–	–	124,701	124,701
Loss and total comprehensive loss for the period	–	–	–	–	–	(39,281)	5,720	474	(33,087)
At 30 June 2013	<u>230,922</u>	<u>2,688,625</u>	<u>31,350</u>	<u>(894)</u>	<u>12,677</u>	<u>216,831</u>	<u>(305,864)</u>	<u>2,873,647</u>	<u>3,365,154</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2014*

	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash from operating activities	236,345	(297,771)
Net cash from investing activities	(119,134)	(7,805)
Net cash from financing activities	(92,418)	248,680
Net increase/(decrease) in cash and cash equivalents	24,793	(56,896)
Cash and cash equivalents at 1 January	44,907	368,501
Effect of foreign exchange rate changes, net	(10,209)	(37,179)
Cash and cash equivalents at 30 June	59,491	274,426
Analysis of balances of cash and cash equivalents		
Cash and bank balances	59,491	274,426

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 10 April 1995 under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at Room 3609–10, 36/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are (i) mining operations-exploitation and exploration and trading of mineral resources, and (ii) property management operation.

In the opinion of the directors of the Company (the “Directors”), the Company’s ultimate holding company is China Wan Tai Group Limited, which was incorporated in Hong Kong.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The Unaudited Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2013 which were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA.

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

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA:

Amendments to HKFRS 10, HKFRS 12 And HKAS 27	Investment Entities ¹
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendment to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC)-Int 21	Levies ¹

The adoption of the above new and revised HKFRSs in the current interim period has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s unaudited condensed consolidated financial statements.

The Group has not applied any new or revised HKFRs that have been issued but are not yet effective for the current accounting period.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle ¹
HKFRS 9	Financial Instruments ²
HKFRS 14	Regulatory Deferral Accounts ³
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosure ²
Amendments to HKFRS 19 (2011)	Defined Benefit Plans: Employee Contributions ¹
HKFRS 15	Revenue from Contract with Customers ⁴
Amendments to HKFRS 11	Accounting for Acquisition of Interest in Joint Operations ³
Amendments to HKFRS 16 and HKAS 38	Clarification of Acceptable Method of Depreciation and Amortisation ³

¹ Effective for annual periods beginning on or after 1 July 2014

² Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalized

³ Effective for annual period beginning on or after 1 January 2016

⁴ Effective for annual period beginning on or after 1 January 2017

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that the adoption of these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. REVENUE

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Sales of molybdenum concentrate	207,710	135,018
Trading of mineral resources	–	3,441
Property management fee income	3,741	3,304
	<u>211,451</u>	<u>141,763</u>

4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Bank interest income	22	103
Imputed interest income arising from promissory notes	41,978	29,579
Sundry income	272	2
Dividend income received from contingent assets	–	11,309
	<u>42,272</u>	<u>40,993</u>

5. SEGMENT INFORMATION

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

	For the six months ended 30 June 2014 (Unaudited)			
	Mining operations HK\$'000	Property leasing HK\$'000	Property management HK\$'000	Total HK\$'000
Segment revenue	<u>207,710</u>	<u>–</u>	<u>3,741</u>	<u>211,451</u>
Segment results	<u>4,063</u>	<u>–</u>	<u>(7)</u>	<u>4,056</u>
Unallocated revenue				42,272
Unallocated expenses				<u>(31,164)</u>
Profit before tax				15,164
Taxation				<u>5,048</u>
Profit for the period				20,212

Other segment information:

	Mining operation					Others HK\$'000	Total HK\$'000
	Property leasing HK\$'000	Property management HK\$'000	Mining exploitation HK\$'000	Mining exploration HK\$'000	Trading of mineral resources HK\$'000		
Depreciation and amortisation	–	–	47,390	–	–	–	47,390
Capital expenditures	<u>–</u>	<u>–</u>	<u>2,769</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,769</u>

	For the six months ended 30 June 2013 (Unaudited)			
	Mining operations HK\$'000	Property leasing HK\$'000	Property management HK\$'000	Total HK\$'000
Segment revenue	<u>138,459</u>	<u>–</u>	<u>3,304</u>	<u>141,763</u>
Segment results	<u>62</u>	<u>–</u>	<u>(249)</u>	<u>(187)</u>
Unallocated revenue				40,993
Unallocated expenses				<u>(33,766)</u>
Profit before tax				7,040
Taxation				<u>(846)</u>
Profit for the period				6,194

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>			
Depreciation and amortisation	–	1	37,019	–	–	3,279	40,298
Capital expenditures	–	–	14,312	–	–	–	14,312

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

	Property leasing <i>HK\$'000</i>	Property management <i>HK\$'000</i>	As at 30 June 2014 (Unaudited) 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	–	610	2,613,757	–	124,430	2,228,762	4,967,559
Segment liabilities	–	1,054	1,125,686	–	1,086	177,705	1,305,531

	Property leasing <i>HK\$'000</i>	Property management <i>HK\$'000</i>	As at 31 December 2013 (Audited) 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	–	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

6. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging:

	Six months ended 30 June	
	2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Unaudited)
Cost of inventories	163,202	109,004
Depreciation of property, plant and equipment	16,873	16,774
Operating lease payments in respect of offices premises	1,323	857
Director's emoluments	364	746
Staff costs (including directors' remuneration)		
— Wages and salaries	5,918	8,009
— Retirement benefits contributions	527	719
Included in other operating expenses:		
Amortisation of prepaid lease payment	3,023	2,944
Amortisation of mining rights	30,517	20,581

7. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings wholly repayable within five years	<u>7,327</u>	<u>5,410</u>

8. TAXATION

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC corporate income tax	<u>2,581</u>	<u>846</u>

Deferred tax liabilities amounted to HK\$7,629,000 has been unwound as a result of amortisation of mining right for the period ended 30 June 2014.

- (i) The provision for Hong Kong Profits Tax was calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the period. No provision for Hong Kong Profits Tax has been made in the interim financial statements as the Group's operations in Hong Kong incurred a tax loss for the period (30 June 2013: Nil).
- (ii) PRC income tax charge represents the PRC Enterprise Income Tax paid or payable during the period. Enterprise Income Tax in the PRC has been provided at the prevailing rate.

9. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$20,212,000 for six months ended 30 June 2014 (six months ended 30 June 2013: approximately HK\$5,721,000) and on the weighted average number of 14,443,450,042 shares in issue during the period (six months ended 30 June 2013: 14,228,307,317).

(b) Diluted profit per share

There were no potential dilutive shares in existence for the six months ended 30 June 2014 and 2013, and accordingly, diluted earnings per share equal to basic earnings per share.

11. OTHER FINANCIAL ASSETS

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

Ding Jin Promissory Note

During the year ended 31 December 2011, the Group entered into a subscription agreement with Shaanxi Ding Jin Mining Company Limited (“Ding Jin”), pursuant to which the Company would be eligible to subscribe for the promissory note issued by Ding Jin. The principal amount of the promissory note was HK\$500 million and carried an interest of HK\$100 million, payable on the date falling five years from the date of issuance of this promissory note.

During the period ended 30 June 2014, imputed interest income which amounted to approximately HK\$11,028,000 had been generated from holding such promissory note.

Rui Sui Promissory Note

During the year ended 31 December 2012, the Group disposed of 26% equity interests of Rui Sui Kuang Ye Company Limited for an aggregate consideration of HK\$600 million, which was satisfied by subscription of promissory note which carried at a total interest of 6% wholly payable by the purchaser on the date falling three years from the date of issuance of the promissory note.

During the period ended 30 June 2014, imputed interest income which amounted to approximately HK\$14,280,000 had been generated from holding such promissory note.

Yi Tong Promissory Note

During the year ended 31 December 2012, the Group disposed of 70% equity interests of 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 by the purchaser. The maturity date is the date falling three years from the date of issuance of such promissory note.

During the period ended 30 June 2014, imputed interest income which amounted to approximately HK\$4,721,000 had been generated from holding such promissory note.

Bai Shan Promissory Note

During the year ended 31 December 2013, the Group disposed of 25% equity interest in Rui Sui Kuang Ye Company Limited for a consideration of HK\$500 million, which was satisfied by a promissory note with a face value of HK\$500 million issued by the purchaser. The maturity date is the date falling three years from date of issuance of the promissory note.

During the period ended 30 June 2014, imputed interest income which amounted to approximately HK\$11,848,000 had been generated from holding such promissory note.

12. TRADE AND BILLS RECEIVABLES

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Trade and bills receivables	<u>94,734</u>	<u>22,639</u>

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

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
0–30 days	41,514	13,583
31–60 days	7,981	9,056
61–90 days	15,776	–
91–180 days	29,463	–
Over 180 days but within one year	<u>–</u>	<u>–</u>
	<u>94,734</u>	<u>22,639</u>

The Group's credit policies for each of its principal activities are as follows:

(i) Sales of molybdenum concentrate

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 of no more than 30 days.

(ii) Trading of mineral resources

The Group allows a credit period of 30 days from the issuance of invoices to its customers.

(iii) Property management fee income

The Group allows a credit period of 30 days from the date of issuance of invoices to the property's landlord.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

For the six months ended 30 June 2014, the Group recorded a turnover of approximately HK\$211,451,000 (30 June 2013: HK\$141,763,000), representing an increase of about 49% over the same period in 2013.

During the period under review, the profit recorded by the Group was about HK\$20,212,000 (30 June 2013: profit of approximately HK\$6,194,000). Such sounded financial performance was mainly due to the imputed interest income of HK\$41,978,000 from other financial assets and the business condition of selling molybdenum concentrate has become better than that of last year's as the market price of molybdenum concentrate has increased as compared with that of last year.

SEGMENT 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 for each of the business operations is set out as follows:

Mining Operations — Exploitation and exploration

During the period under review, the volume of molybdenum concentrate produced was about 1,540.95 tonnes. The sales volume of molybdenum concentrate was about 3,348 tonnes (30 June 2013: 1,509 tonnes), whereas the grade of molybdenum concentrate was approximately 42% to 45%. The average selling price of molybdenum concentrate was about HK\$58,334 per tonne. During the period under review, the mining operation contributed a revenue of approximately HK\$207,710,000 (30 June 2013: HK\$135,018,000) to the Group, of which approximately HK\$195,302,000 was attributable to sales of molybdenum concentrate (30 June 2013: HK\$104,848,000) and approximately HK\$12,407,000 was attributable to sales of sulfuric acid and iron concentrate (30 June 2013: HK\$30,170,000). The cost of sales was about HK\$160,180,000 (30 June 2013: HK\$80,625,000). The gross profit was amounted to about HK\$47,531,000 (30 June 2013: HK\$54,393,000). During the six months ended 30 June 2014, the Group recognised an amortisation of mining rights of approximately HK\$30,517,000 (30 June 2013: HK\$20,581,000), such decrease was mainly attributable to the decrease in the production of molybdenum concentrate during the reporting period. Including the amortisation of mining rights, the mining operation recorded a profit of approximately HK\$4,063,000.

Mining Operation — Trading of Mineral Resources

For the six months ended 30 June 2014, the turnover generated from the trading of copper was approximately HK\$nil (30 June 2013: HK\$3,441,000) and the trading of copper recorded a gross profit of approximately HK\$nil (30 June 2013: HK\$6,000).

Property Management Operations

For the six months ended 30 June 2014, the turnover generated from the property management operation was approximately HK\$3,740,000, representing a growth of approximately 15.7% over the corresponding period of last year of HK\$3,232,000 and the increase was mainly due to the effect of exchange rate differences.

Other Business

Other Financial Assets

As at 30 June 2014, the Group had four promissory notes, namely Ding Jin Promissory Note, Rui Sui Promissory Note and 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 Shannxi Ding Jin Mining Company Limited (“Ding Jin”), pursuant to which the Company would be eligible to subscribe for the promissory note issued by Ding Jin. The principal amount of the promissory note was HK\$500 million and carried an interest of HK\$100 million, payable on the date falling five years from the date of issuance of this promissory note.

During the period ended 30 June 2014, imputed interest income which amounted to approximately HK\$11,028,000 had been generated from holding such promissory note.

Rui Sui Promissory Note

During the year ended 31 December 2012, the Group disposed of 26% equity interests of Rui Sui Kuang Ye Company Limited for an aggregate consideration of HK\$600 million, which was satisfied by subscription of promissory note which carried at a total interest of 6% wholly payable by the purchaser on the date falling three years from the date of issuance of the promissory note.

During the period ended 30 June 2014, imputed interest income which amounted to approximately HK\$14,280,000 had been generated from holding such promissory note.

Yi Tong Promissory Note

During the year ended 31 December 2012, the Group disposed of 70% equity interests of 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 by the purchaser. The maturity date is the date falling three years from the date of issuance of such promissory note.

During the period ended 30 June 2014, imputed interest income which amounted to approximately HK\$4,721,000 had been generated from holding such promissory note.

Bai Shan Promissory Note

During the year ended 31 December 2013, the Group disposed of 25% equity interest in Rui Sui Kuang Ye Company Limited for a consideration of HK\$500 million, which was satisfied by a promissory note with a face value of HK\$500 million issued by the purchaser. The maturity date is the date falling three years from date of issuance of the promissory note.

During the period ended 30 June 2014, imputed interest income which amounted to approximately HK\$11,848,000 has been generated from holding such promissory note.

PROSPECTS

In 2014 first half, the average selling price of molybdenum concentrates was approximately HK\$58,334 per tonne. The downward trend of molybdenum concentrate price was decelerating as compared with last year's corresponding period. The Group will endeavor to keep abreast of the changing market condition and will fine tune its business strategies when the Directors think appropriate. Moreover, the Group is seeking more strategic opportunities to cooperate with another sizable mining companies in order to enhance its economies of scales.

MATERIAL FUND RAISING

Pursuant to the convertible notes option ("CN Option") agreement dated on 19 July 2011 entered into between the Company and the potential subscribers, the Company was entitled to require each potential subscriber to, and the potential subscribers were also entitled to, fully or partially subscribe for the convertible notes (the "Convertible Notes") within three years after the date of grant of the CN Option. During the option period, the CN Option had been exercised by the potential subscribers or their transferees as holder of the CN Option (the "Holder(s)") as follows:

- On 15 April 2013, a Holder exercised the CN Option to partially subscribe for the Convertible Notes in the amount of HK\$124,700,000. The net proceeds raised from the issue of such Convertible Notes amounted to approximately HK\$124,700,000 has been used for payment of initial deposit in the proposed acquisition of 100% equity interests in China Potassium Shares Company Limited;
- On 17 June 2014, a Holder exercised the CN Option to partially subscribe for the Convertible Notes in the amount of HK\$43,500,000. The net proceeds raised from the issue of such Convertible Notes amounted to approximately HK\$43,500,000 is intended to be used for general working capital purpose;
- On 3 July 2014, a Holder exercised the CN Option to partially subscribe for the Convertible Notes in the amount of HK\$43,500,000. The net proceeds raised from the issue of such Convertible Notes amounted to approximately HK\$43,500,000 is intended to be used for funding the proposed acquisition of 100% equity interests in China Potassium Shares Company Limited;

- On 18 July 2014, a Holder exercised the CN Option to partially subscribe for the Convertible Notes in the amount of HK\$542,300,000. The net proceeds raised from the issue of such Convertible Notes amounted to approximately HK\$542,300,000 is intended to be used for funding the proposed acquisition of 100% equity interests in China Potassium Shares Company Limited.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and proceeds from suitable source of funding. During the period under review, the Group recorded a net cash inflow of HK\$24,793,000 (2013: outflow of approximately HK\$56,896,000). The inflow was contributed by the fact that working capital was better managed in 2014 as compared with 2013 and the substantial increase in trade and other payables improved the Group's operating cash cycle. The Group had also made substantial investment in property, plant and equipment under this period of review while a net outflow from financing activities was contributed by repayment of bank loan. The Directors believe that the overall effect on increase in trade payable and repaying long term bank loan would enhance the Group's financial position and thus reduced some financial risks. The current ratio was approximately 1.00 as contrasted by 0.7 as at 30 June 2013. As at 30 June 2014, the debt to equity ratio was approximately 0.41 as contrasted by 0.58 as at 30 June 2013. The Board considered that the Group had a healthy financial position and sufficient resources to satisfy its capital expenditures and working capital requirement.

Capital Commitment

As at 30 June 2014, the Group did not have any capital commitment.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2014 (2013: Nil).

Capital Structure

The capital structure of the Group as at 30 June 2014 has been summarized below:

	30 June 2014 HK'000 (Unaudited)	31 December 2013 HK'000 (Audited)
Current assets	800,557	821,819
Current liabilities	799,185	772,453
Shareholders' equity	3,199,337	2,912,150

Treasury Policies

During the six months ended 30 June 2013, the major currencies on which principal business activities of the Group used were mainly denominated in Hong Kong dollars and Renminbi. The Board does not consider the Group is significantly exposed to foreign currency risks. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. For the six months ended 30 June 2014, the Group did not employ any financial instrument for hedging purpose and did not engage in foreign currency speculative activities.

Borrowings and Banking Facilities

As at 30 June 2014, the Group had current portion of bank borrowings of approximately HK\$95,580,000 (31 December 2013: HK\$231,498,000).

Human Resources and Remuneration Policy

As at 30 June 2014, the Group employed 744 (30 June 2013: 737) full time employees in Hong Kong and the PRC. Employee remuneration packages are structured and reviewed with reference to the nature of jobs, market condition and individual merits. The Group also provides other employees benefits which include year-end double pay, mandatory provident fund and medical insurance. Total staff costs for the six months end 30 June 2014 were approximately HK\$6,445,000.

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 period of the six months ended 30 June 2014.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2014, the Company had applied the principles of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and complied with all the applicable code provisions of the Code, except the following code provisions:

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 six months ended 30 June 2014, 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 Cheng Chak Ho were absent from the 2014 annual general meeting of the Company.

The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than the 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 six month period ended 30 June 2014.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Messrs. Mu Xiangming, Cheng Chak Ho and Lo Wa Kei Roy. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting process and internal control of the Group. The audit committee has reviewed the Group's interim results for the six months ended 30 June 2014.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

The result announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.northmining.com.hk. The 2014 interim 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
North Mining Shares Company Limited
Gao Yuan Xing
Chairman

Hong Kong, 28 August 2014

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