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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)**

### **PROPOSED ISSUE OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE AND GRANT OF OPTIONS TO SUBSCRIBE FOR CONVERTIBLE NOTES**

#### **THE CN OPTION AGREEMENTS**

On 17 December 2015 (after trading hours), the Company and each of the Potential Subscribers entered into the CN Option Agreement respectively in respect of the issue of and subscription for the CN Options.

Pursuant to the CN Option Agreements, a CN Call Option will be granted to each Potential Subscriber by the Company and each Potential Subscriber is entitled to subscribe for the Convertible Notes with a principal amount of no more than \$85,000,000 at the time of exercise within the Option Period, as agreed under the CN Option Agreements. On the other hand, a CN Put Option will be granted to the Company by each Potential Subscriber and the Company is entitled to require each Potential Subscriber to subscribe for the Convertible Notes with a principal amount of no more than \$85,000,000 at the time of exercise within the Option Period as agreed under the CN Option Agreements.

If all of the CN Options are issued and validly exercised, the Company will issue the Convertible Notes in aggregate principal amount of up to HK\$510,000,000. Assuming the conversion rights attaching to the Convertible Notes are exercised in full at the Conversion Price of HK\$0.085, a maximum of 6,000,000,000 Conversion Shares will be allotted and issued, representing approximately 30.15% of the entire issued share capital of the Company as at the date of this announcement and approximately 23.16% of the entire issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The estimated total net proceeds from the issue of the Convertible Notes will be approximately HK\$509,000,000, which is intended to be utilized as the Group's general working capital and any future investment when opportunities arise.

## **GENERAL**

The Conversion Shares will be issued under the Specific Mandate to be sought at the SGM. Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares.

The SGM will be convened and held for the purpose of considering and, if thought fit, approving, among others the CN Option Agreements and the transactions contemplated thereunder including the grant of the Specific Mandate.

## **LISTING RULES IMPLICATIONS**

A circular containing, among other things, further details of the CN option Agreements, the Convertible Notes, and the Specific Mandate, together with the notice of the SGM, will be despatched by the Company to the Shareholders as soon as possible in accordance with the Listing Rules.

**Completion of the proposed issue of CN Options is subject to the satisfaction of the conditions set out in the paragraph headed “Conditions Precedent” in this announcement. Accordingly, the proposed issue of CN Options may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **THE CN OPTION AGREEMENTS**

**Date:** 17 December 2015

### **Parties**

- (a) the Company, being the issuer; and
- (b) the Potential Subscribers

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Each of the Potential Subscribers and its beneficial owners is an Independent Third Parties.

### **Principal terms of the CN Options**

Pursuant to the CN Option Agreements, a CN Call Option will be granted to each Potential Subscriber by the Company and each Potential Subscriber is entitled to subscribe for the Convertible Notes with a principal amount of no more than \$85,000,000 at the time of exercise within the Option Period, as agreed under the CN Option Agreements. On the other hand, a CN Put Option will be granted to the Company by each Potential Subscriber and the Company is entitled to require each Potential Subscriber to subscribe for the Convertible Notes with a principal amount of no more than \$85,000,000 at the time of exercise within the Option Period as agreed under the CN Option Agreements.

*(I) CN Call Option:*

- Parties : the Company as grantor and Potential Subscriber as grantee
- Consideration : HK\$1 per CN Call Option, payable by the Potential Subscriber to the Company
- Right of the CN Call Option holders : the Potential Subscribers are entitled to subscribe the Convertible Notes with a principal amount of no more than \$85,000,000 at the time of exercise. It can be exercisable on one or more occasions, by each Potential Subscriber, at any time on or before the expiry of the Option Period.
- Expiry date of the CN Call Option : the last day of the Option Period (If the CN Call Option is not exercised by the Potential Subscriber within the Option Period, the CN Call Option will lapse automatically.)
- Transferability : the CN Call Option may be assigned or transferred, in whole or in part, to any person provided that such person will not be a connected person of Company as defined under the Listing Rules.

*(II) CN Put Option:*

- Parties : Potential Subscriber as grantor and the Company as grantee
- Consideration : HK\$1 per CN Put Option, payable by the Company to the Potential Subscriber
- Right of the CN Put Option holders : the Company is entitled to require each Potential Subscriber to subscribe for the Convertible Notes with a principal amount of no more than \$85,000,000 at the time of exercise. It can be exercisable on one or more occasions, by the the Company, at any time on or before the expiry of the Option Period.
- Expiry date of the CN Put Option : the last day of the Option Period (If the CN Put Option is not exercised by the Company within the Option Period, the CN Put Option will lapse automatically.)
- Transferability : the CN Put Option is not transferrable.

## **Conditions precedent**

Completion of the CN Option Agreements shall be subject to and conditional upon, the following conditions precedent:

- (a) If required, the Listing Committee having approved the issue of the Convertible Notes either unconditionally;
- (b) The Listing Committee having granted (either unconditionally or subject to such conditions to which both the Company and the Potential Subscribers shall reasonably accept) the listing of, and permission to deal in the Conversion Shares, and such permission not subsequently revoked or withdrawn prior to Subscription;
- (c) the Shareholders having approved at the SGM the CN Option Agreement and the transactions contemplated thereunder including but not limited to the issue of CN Option, the grant of the Specific Mandate, the issue of the Conversion Note and the issue and allotment of the Conversion Shares;
- (d) if applicable, the obtaining of all consents from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the CN Option Agreement and any of the transaction contemplated thereunder; and
- (e) the aggregate value of the CN Call Options to be applied by the Potential Subscribers shall be equivalent to the principal face value of the Convertible Notes of HK\$510,000,000.

The Company will use reasonable endeavours to procure the fulfilment of all conditions precedent. If the above conditions precedent are not fulfilled or waived (as the case may be) on or before the Long Stop Date, the CN Option Agreement shall lapse and become null and void and the parties thereto shall be released from all obligations thereunder.

## **Completion**

Completion of the CN Option Agreements shall take place on the third Business Day following the fulfillment or waiver (as the case may be) of all conditions precedent set out above, or such other date as the Company and the Potential Subscribers may agree in writing.

## **THE CONVERTIBLE NOTES**

If all of the CN Options are issued and validly exercised, the Company will issue the Convertible Notes with an aggregate principal amount of up to HK\$510,000,000.

### **Principle terms of the Convertible Notes**

The principal terms of the Convertible Notes are summarized as follows:

Issuer	: The Company
Principal amount	: HK\$510,000,000

Maturity date : the date falling 5 years from the date of issue of the Convertible Notes

Interest rate : Nil

Conversion Price : The Conversion Price (subject to adjustments in certain events such as share consolidation or subdivision of Shares, capitalization issues, capital distribution, rights issues and issue of new Shares or convertible securities) for each Conversion Share to be paid by the Noteholder upon exercising of the conversion rights attaching to the Convertible Notes shall be HK\$0.085, which is equivalent to/represents:

- i. the closing price of HK\$0.085 per Share as quoted on the Stock Exchange on the Last Trading Day;
- ii. a discount of approximately 1.39% over the average of the closing prices of HK\$0.0862 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day;
- iii. a discount of approximately 0.70% over the average of the closing prices of HK\$0.0856 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the Last Trading Day; and
- iv. a discount of approximately 66.54% over the audited net assets value per Share of approximately HK\$0.254 as at 31 December 2014.

The Conversion Price was determined by the Company with reference to the recent market price performance of the Shares.

Conversion Shares : A maximum of 6,000,000,000 Conversion Shares will be allotted and issued upon full conversion of the Convertible Notes, representing approximately 30.15% of the entire issued share capital of the Company as at the date of this announcement and approximately 23.16% of the entire issued share capital of the Company as enlarged by the issue of the Conversion Shares. The net price of each Conversion Share is HK\$0.0848.

Conversion restrictions : The conversion rights attaching to any Convertible Notes may be exercised, at the option of the Noteholder thereof, at any time during the period commencing from the date of the issue of the Convertible Notes up to and including the date which is 7 days prior to the maturity date in amounts not less than a whole multiple of HK\$10,000,000 on such conversion, save that if at any time the outstanding principal amount of the Convertible Notes held by a Noteholder is less than HK\$10,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Notes may be converted or if the Noteholder intend to exercise the conversion rights attaching to the entire principal amount of all the Convertible Notes held by him, the Noteholder may convert the whole (but not part only) of the such outstanding principal amount of the Convertible Notes.

The conversion rights attaching to the Convertible Notes cannot be exercised (and accordingly the Company will not issue Conversion Shares) if and to the extent that:

1. the total number of Conversion Shares (together with other Shares) with voting rights held by the Noteholder in question and parties acting in concert with it within the meaning of the Takeovers Code immediately after the issue of the relevant Conversion Shares would be more than 29.9% of the enlarged issued share capital of the Company.
2. the issue of Conversion Shares pursuant to such conversion will cause the issued Shares in the hands of “public” (as defined in Rule 8.24 of the Listing Rules) to fall below the 25% or such other minimum percentage of the total issued share capital of a listed company as prescribed under the Listing Rules.

Redemption : The Noteholder shall have the right to request the Company to redeem the outstanding principal amount of the Convertible Notes by payment to the Noteholder in cash of an amount equivalent to 100% of the outstanding principal amount of the Convertible Notes (plus any accrued and unpaid interest and additional interest, if any) in case of any event of defaults. The redemption should be completed within 30 Business Days after the date of written notice given by the Noteholder.

Ranking of the Conversion Shares : The Conversion Shares to be issued upon conversion of the Convertible Notes will rank pari passu in all respects with the Shares then in issue on the relevant conversion date.

Voting Rights : The Noteholder will not be entitled to attend or vote at any general meeting of the Company by reason only of it being the Noteholder.

- Listing : No application will be made for listing of, or permission to deal in, the Convertible Notes on the Stock Exchange or any other stock exchange.
- Transferability : The Convertible Notes may be assigned or transferred to any person, in whole or in part, provided that such person will not be a connected person of the Company as defined under the Listing Rules.
- Events of default : The Convertible Notes contain customary events of default provisions which provide that, on the occurrence of an event of default, the Noteholder shall have the right to request the Company to forthwith redeem the whole or any part of the outstanding principal amount of the Convertible Notes in accordance with the terms of the Convertible Notes.

### **SPECIFIC MANDATE**

The Conversion Shares will be allotted and issued under a Specific Mandate to be sought for approval from the Shareholders at the SGM.

### **REASON FOR THE ISSUE OF CONVERTIBLE NOTES AND USE OF PROCEEDS**

The Board considers that entering into the CN Option Agreements and the issuance of the Convertible Notes represents an opportunity to strengthen the financial position of the Group while broadening the investor base and capital base of the Group. Since the CN Option Agreements is entered into upon normal commercial terms following arm's length negotiations between the Company and the Potential Subscribers, the Directors are of the view that the terms and conditions of the CN Option Agreements is fair and reasonable and issue of Convertible Notes is in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the issue of Convertible Notes will be approximately HK\$510,000,000. After the deduction of related expenses, the net proceeds from the issue of Convertible Notes are estimated to be approximately HK\$509,000,000 which are intended to be used for general working capital of the Group and also for future development of Group when any investment opportunities arise.



## EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement, and (ii) immediately after issuance of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Notes and assuming that no other Shares will be issued is as follows:

	As at the date of this announcement		Immediately after issuance of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Notes	
	No. of Shares	Approx. percentage	No. of Shares	Approx. percentage
Universal Union Limited	3,729,808,552	18.74%	3,729,808,552	14.40%
China Huarong International Holdings Limited	3,028,000,000	15.21%	3,028,000,000	11.69%
Gu Jie	1,876,580,000	9.43%	1,876,580,000	7.25%
Potential Subscribers	—	0.00%	6,000,000,000	23.16%
Other public shareholders	<u>11,268,228,157</u>	<u>56.62%</u>	<u>11,268,228,157</u>	<u>43.50%</u>
Total	<u>19,902,616,709</u>	<u>100%</u>	<u>25,902,616,709</u>	<u>100%</u>

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

On 2 September 2015, the Company and Driven Innovation entered into the placing agreement pursuant to which the Company has conditionally agreed to allot and issue, and Driven Innovation has conditionally agreed to subscribe for 2,900,000,000 placing Shares at a price of HK\$0.08 each, details of which are set out in the announcement of the Company dated 8 September 2015. The Company intended to use the net proceeds as general working capital for the Group and part of the proceeds have been used in mining plant construction. Completion of the placing to Driven Innovation took place on 17 September 2015.

## GENERAL

The principal activities of the Group are (i) mining operation — exploitation, exploration and trading of mineral resources; (ii) property leasing operations; and (iii) property management operations.

The Conversion Shares will be issued under the Specific Mandate to be sought at the SGM. Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares. The SGM will be convened and held for the purpose of considering and, if thought fit, approving, among others, the CN Option Agreements and the transactions contemplated thereunder including the grant of the Specific Mandate.



A circular containing, among other things, further details of the CN option Agreement, the Convertible Notes, and the Specific Mandate, together with the notice of the SGM, will be despatched to the Shareholders as soon as possible in accordance with the Listing Rules.

**Completion of the proposed issue of the CN Options is subject to the satisfaction of the conditions set out in the paragraph headed “Conditions Precedent” in this announcement. Accordingly, the proposed issue of CN Options may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **TERMS USED IN THIS ANNOUNCEMENT**

In this announcement, unless the context otherwise required, the following terms and expressions shall have the following meanings when used herein.

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Board”	board of Directors
“Business Day”	any day (not being a Saturday, Sunday and public or statutory holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“CN Call Option(s)”	a CN Call Option being granted to a Potential Subscriber by the Company under the CN Option Agreement, pursuant to which the Potential Subscriber is entitled to subscribe for the Convertible Notes with a principal amount of no more than \$85,000,000 at the time of exercise within the Option Period
“CN Put Option(s)”	a CN Put Option being granted to the Company by a Potential Subscriber under the CN Option Agreement, pursuant to which the Company is entitled to require the Potential Subscriber to subscribe for the Convertible Notes with a principal amount of no more than \$85,000,000 at the time of exercise within the Option Period
“CN Option(s)”	means the CN Call Option(s) and/or the CN Put Option(s)
“CN Option Agreements”	the CN option subscription agreements entered into between the Company and each of the Potential Subscribers respectively dated 17 December 2015 in respect of the issue and subscription of CN Options
“Company”	North Mining Shares Company Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange

“Completion Date”	the third Business Day following all the conditions precedent as set out in the CN Option Agreement have been fulfilled
“Connected Person(s)”	has the meaning given to that term in the Listing Rules
“Conversion Notes”	unsecured and zero coupon transferable convertible notes of an aggregate principal amount of up to HK\$510,000,000 to be issued by the Company
“Conversion Price”	the initial conversion price of HK\$0.085 (subject to adjustment) per Conversion Share upon conversion of the convertible Notes
“Conversion Share(s)”	new Share(s) falling to be allotted and issued by the Company upon exercise of the conversion rights attached to the Convertible Notes, being up to 6,000,000,000 new Shares
“Directors”	directors of the Company
“Driven Innovation”	Driven Innovation Limited, its holding company is China Huarong International Holdings Limited
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parity(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Last Trading Day”	17 December 2015, being the last trading day for the Shares before the publication of this announcement
“Listing Committee”	The Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2016 or such other date as may be agreed by the Company and the Potential Subscribers in writing
“Noteholder(s)”	the holder(s) of the Convertible Notes

“Option Period”	the period from the date of the grant of CN options to the 5th anniversary date of the grant of CN options or such later date as maybe agreed between the Company and the Potential Subscribers
“Potential Subscribers”	a total of 6 potential subscribers of the Convertible Notes
“PRC”	The People’s Republic of China
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, to approve the CN Option Agreements and the transactions contemplated thereunder, including the grant of the Specific Mandate
“Share(s)”	the ordinary share(s) of HK\$0.016 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	a specific mandate to be sought from the Shareholders at the SGM to allot and issue the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 17 December 2015

*As at the date of this announcement, the Board of the Company comprises Mr. Gao Yuan Xing, Mr. Qian Yi Dong, Mr. Yang Ying Min, 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.*