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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 2017

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 2017, together with the comparative figures for the corresponding period in 2016:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

| | | Six months ended 30 June | |
|-------------------------------------|--------------|---------------------------------|--------------------|
| | | 2017 | 2016 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 3 | 88,176 | 118,527 |
| Cost of sales | | (75,844) | (108,703) |
| Gross profit | | 12,332 | 9,824 |
| Other income and gains | 4 | 3,460 | 32,132 |
| General and administrative expenses | | (31,497) | (44,644) |
| Other operating expenses | | (19,855) | (5,907) |
| Loss from operations | 6 | (35,560) | (8,595) |
| Finance costs | 7 | (31,796) | (4,606) |
| Loss before taxation | | (67,356) | (13,201) |
| Taxation | 8 | 4,283 | 764 |
| Loss for the period | | (63,073) | (12,437) |

| | | Six months ended 30 June | |
|--|----|---------------------------------|--------------------|
| | | 2017 | 2016 |
| <i>Notes</i> | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Attributable to: | | | |
| Owners of the Company | | (54,736) | (2,224) |
| Non-controlling interests | | (8,337) | (10,213) |
| | | <u>(63,073)</u> | <u>(12,437)</u> |
| Loss for the period | | | |
| | | <u>(63,073)</u> | <u>(12,437)</u> |
| Other comprehensive loss (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 | | (46,860) | (94,341) |
| | | <u>(46,860)</u> | <u>(94,341)</u> |
| Other comprehensive loss for the period | | | |
| | | <u>(46,860)</u> | <u>(94,341)</u> |
| Total comprehensive loss for the period | | | |
| | | <u>(109,933)</u> | <u>(106,778)</u> |
| Attributable to: | | | |
| Owners of the Company | | (84,296) | (97,799) |
| Non-controlling interests | | (25,637) | (8,979) |
| | | <u>(109,933)</u> | <u>(106,778)</u> |
| Loss per share | | | |
| — Basic, HK cents | 10 | <u>(0.03)</u> | <u>(0.01)</u> |
| — Diluted, HK cents | | <u>(0.03)</u> | <u>(0.01)</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

| | | 30 June 2017 | 31 December 2016 |
|--|--------------|-------------------------|---------------------|
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Audited) |
| ASSETS | | | |
| <i>Non-Current Assets</i> | | | |
| Property, plant and equipment | | 619,448 | 495,555 |
| Prepaid lease payments | | 51,645 | 52,750 |
| Mining rights | 11 | 1,936,932 | 996,303 |
| Goodwill | | 13,403 | 13,403 |
| Investment deposits | 12 | 600,000 | 600,000 |
| Prepayment for acquisition of subsidiaries | | – | 845,712 |
| | | 3,221,428 | 3,003,723 |
| <i>Current Assets</i> | | | |
| Other financial assets | 13 | 300,000 | 300,000 |
| Inventories | | 414,539 | 413,824 |
| Trade and bills receivables | 14 | 8,304 | 8,052 |
| Prepayments, deposits and other receivables | | 730,331 | 356,854 |
| Cash and cash equivalents | | 428,935 | 596,003 |
| | | 1,882,109 | 1,674,733 |
| Total Assets | | 5,103,537 | 4,678,456 |
| CAPITAL AND RESERVES | | | |
| Share capital | | 344,921 | 344,921 |
| Reserves | | 2,910,067 | 2,994,363 |
| Equity attributable to owners of the Company | | 3,254,988 | 3,339,284 |
| Non-controlling interests | | 61,309 | 86,946 |
| Total Equity | | 3,316,297 | 3,426,230 |

| | | 30 June 2017 | 31 December 2016 |
|---|--------------|-------------------------|---------------------|
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Audited) |
| LIABILITIES | | | |
| <i>Non-Current Liabilities</i> | | | |
| Convertible bonds | 15 | 359,354 | 340,471 |
| Deferred tax liabilities | | 277,307 | 273,112 |
| | | 636,661 | 613,583 |
| <i>Current Liabilities</i> | | | |
| Trade and bill payables | 16 | 68,715 | 70,599 |
| Other payables and accruals | | 334,685 | 95,677 |
| Bank loans and other borrowings | | 632,142 | 361,167 |
| Provision for environmental and resources tax | | 92,128 | 88,666 |
| Tax payables | | 22,909 | 22,534 |
| | | 1,150,579 | 638,643 |
| Total Liabilities | | 1,787,240 | 1,252,226 |
| Total Equity and Liabilities | | 5,103,537 | 4,678,456 |
| Net Current Assets | | 731,530 | 1,036,090 |
| Total Assets less Current Liabilities | | 3,952,958 | 4,039,813 |
| Net Assets | | 3,316,297 | 3,426,230 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

| | Attributable to owners of the Company | | | | | | | | | Attributable to Non-controlling interests | Total equity |
|--|---------------------------------------|---------------------------|---------------------------------|-----------------------------|---------------------------------------|-------------------------------|------------------------------|--|-----------------------|---|------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Contributed surplus HK\$'000 | Capital reserve HK\$'000 | Convertible bond reserves HK\$'000 | Statutory reserve HK\$'000 | Exchange reserve HK\$'000 | Retained earnings/ (Accumulated losses) HK\$'000 | Sub-total HK\$'000 | | |
| At 1 January 2017 | 344,921 | 3,770,925 | 31,350 | (894) | 8,902 | 12,677 | (90,792) | (737,805) | 3,339,284 | 86,946 | 3,426,230 |
| Loss and total comprehensive loss for the period | - | - | - | - | - | - | (29,560) | (54,736) | (84,296) | (25,637) | (109,933) |
| At 30 June 2017 | <u>344,921</u> | <u>3,770,925</u> | <u>31,350</u> | <u>(894)</u> | <u>8,902</u> | <u>12,677</u> | <u>(120,352)</u> | <u>(792,541)</u> | <u>3,254,988</u> | <u>61,309</u> | <u>3,316,297</u> |
| At 1 January 2016 | 318,441 | 3,562,405 | 31,350 | (894) | - | 12,677 | 30,105 | (413,380) | 3,540,704 | 134,526 | 3,675,230 |
| Loss and total comprehensive loss for the period | - | - | - | - | - | - | (95,575) | (2,224) | (97,799) | (8,979) | (106,778) |
| At 30 June 2016 | <u>318,441</u> | <u>3,562,405</u> | <u>31,350</u> | <u>(894)</u> | <u>-</u> | <u>12,677</u> | <u>(65,470)</u> | <u>(415,604)</u> | <u>3,442,905</u> | <u>125,547</u> | <u>3,568,452</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2017*

| | Six months ended 30 June | |
|---|---------------------------------|------------------------|
| | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Net cash used in operating activities | (29,545) | (109,221) |
| Net cash (used in)/generated from investing activities | (53,569) | 358,252 |
| Net cash generated from financing activities | 8,552 | 275,954 |
| | <hr/> | <hr/> |
| Net (decrease)/increase in cash and cash equivalents | (74,562) | 524,985 |
| Cash and cash equivalents at 1 January | 596,003 | 225,362 |
| Effect of foreign exchange rate changes, net | (92,506) | (73,876) |
| | <hr/> | <hr/> |
| Cash and cash equivalents at 30 June | 428,935 | 676,471 |
| | <hr/> | <hr/> |
| Analysis of balances of cash and cash equivalents | | |
| Cash and bank balances | 428,935 | 676,471 |
| | <hr/> | <hr/> |

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 Rooms 1505–07, 15/F., Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong.

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 and property management operation.

In the opinion of the directors of the Company (the “Directors”), the Company’s ultimate and immediate 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 2016 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. The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016.

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, a number of amendments to HKFRSs issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2017.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE

| | Six months ended 30 June | |
|---------------------------------|---------------------------------|---------------------------------|
| | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
| Sales of molybdenum concentrate | 84,621 | 114,985 |
| Property management fee income | 3,555 | 3,542 |
| | <u>88,176</u> | <u>118,527</u> |

4. OTHER INCOME AND GAINS

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
| Interest income | 3,460 | 4,759 |
| Imputed interest income arising from promissory notes | – | 27,363 |
| Sundry income | – | 10 |
| | <u>3,460</u> | <u>32,132</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 2017 (Unaudited) | | | |
|----------------------|---|----------------------------------|------------------------------------|-------------------|
| | Trading of mineral resources HK\$'000 | Mining operations HK\$'000 | Property management HK\$'000 | Total HK\$'000 |
| Segment revenue | <u>10,866</u> | <u>73,755</u> | <u>3,555</u> | <u>88,176</u> |
| Segment results | <u>(249)</u> | <u>(19,867)</u> | <u>(5)</u> | <u>(20,121)</u> |
| Unallocated revenue | | | | 3,460 |
| Unallocated expenses | | | | <u>(46,410)</u> |
| Loss before taxation | | | | (63,071) |
| Taxation | | | | <u>(2)</u> |
| Loss for the period | | | | <u>(63,073)</u> |

Other segment information:

| | Trading of mineral resources <i>HK\$'000</i> | Property management <i>HK\$'000</i> | Mining exploitation <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|-------------------------------|---|---|---|---------------------------|--------------------------|
| Depreciation and amortisation | <u>2</u> | <u>2</u> | <u>25,839</u> | <u>2,657</u> | <u>28,500</u> |

For the six months ended 30 June 2016 (Unaudited)

| | Trading of mineral resources <i>HK\$'000</i> | Mining operations <i>HK\$'000</i> | Property management <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|------------------------|---|---|---|--------------------------|
| Segment revenue | <u>–</u> | <u>114,985</u> | <u>3,542</u> | <u>118,527</u> |
| Segment results | <u>–</u> | <u>(33,458)</u> | <u>(2)</u> | <u>(33,460)</u> |
| Unallocated revenue | | | | 32,132 |
| Unallocated expenses | | | | <u>(11,873)</u> |
| Profit before taxation | | | | (13,201) |
| Taxation | | | | <u>764</u> |
| Profit for the period | | | | <u>(12,437)</u> |

Other segment information:

| | Trading of mineral resources <i>HK\$'000</i> | Property management <i>HK\$'000</i> | Mining exploitation <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|-------------------------------|---|---|---|---------------------------|--------------------------|
| Depreciation and amortisation | <u>–</u> | <u>3</u> | <u>15,836</u> | <u>2,784</u> | <u>18,623</u> |

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

| <u>As at 30 June 2017</u> (Unaudited) | | | | | |
|--|------------------------------------|------------------------------------|---|--------------------|-------------------|
| | Property management HK\$'000 | Mining exploitation HK\$'000 | Trading of mineral resources HK\$'000 | Others HK\$'000 | Total HK\$'000 |
| Segment assets | <u>2,394</u> | <u>2,923,211</u> | <u>396,792</u> | <u>1,781,140</u> | <u>5,103,537</u> |
| Segment liabilities | <u>1,938</u> | <u>1,158,808</u> | <u>8,360</u> | <u>618,134</u> | <u>1,787,240</u> |
| <u>As at 31 December</u> 2016 (Audited) | | | | | |
| | Property management HK\$'000 | Mining exploitation HK\$'000 | Trading of mineral resources HK\$'000 | Others HK\$'000 | Total HK\$'000 |
| Segment assets | <u>1,440</u> | <u>1,559,742</u> | <u>389,271</u> | <u>2,728,003</u> | <u>4,678,456</u> |
| Segment liabilities | <u>991</u> | <u>625,748</u> | <u>13,112</u> | <u>612,375</u> | <u>1,252,226</u> |

6. LOSS FROM OPERATIONS

The Group's loss from operations is arrived at after charges:

| | Six months ended 30 June | |
|---|--|--|
| | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
| Cost of inventories | 72,842 | 107,922 |
| Depreciation of property, plant and equipment | 8,645 | 12,716 |
| Operating lease payments in respect of offices premises | 2,863 | 1,120 |
| Director's emoluments | 1,085 | 211 |
| Staff costs (including directors' remuneration) | | |
| — Wages and salaries | 6,906 | 6,986 |
| — Retirement benefits contributions | 412 | 155 |
| Amortisation of prepaid lease payment* | 2,714 | 2,844 |
| Amortisation of mining rights* | 17,141 | 3,063 |

* Included in other operating expenses.

7. FINANCE COSTS

| | Six months ended 30 June | |
|--|--------------------------|-------------------------|
| | 2017 | 2016 |
| | HK\$'000 (Unaudited) | HK\$'000 (Unaudited) |
| Imputed interest on convertible bonds | 18,883 | – |
| Interest on bank loans and other borrowings wholly repayable within five years | 12,913 | 4,606 |
| | <u>31,796</u> | <u>4,606</u> |

8. TAXATION

| | Six months ended 30 June | |
|--------------------------|--------------------------|-------------------------|
| | 2017 | 2016 |
| | HK\$'000 (Unaudited) | HK\$'000 (Unaudited) |
| Current tax: | | |
| PRC corporate income tax | <u>2</u> | <u>2</u> |
| Deferred tax | <u>(4,285)</u> | <u>(766)</u> |
| | <u>(4,283)</u> | <u>(764)</u> |

- (i) The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 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 at Group's operations in Hong Kong incurred a tax loss for the period (30 June 2016: 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 2017 (six months ended 30 June 2016: Nil).

10. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$54,736,000 for six months ended 30 June 2017 (six months ended 30 June 2016: loss attributable to owners of the Company of approximately HK\$2,224,000) and on the weighted average number of 21,557,546,286 shares in issue during the period (six months ended 30 June 2016: 19,902,616,709).

(b) Diluted loss per share

There were no potential dilutive shares in existence for the six months ended 30 June 2017 and 2016, and accordingly, diluted loss per share equal to basic loss per share.

11. MINING RIGHTS

During the period under review, the Group acquired a Potassium Feldspar Mine in the PRC. As at 30 June 2017, together with the Group's existing molybdenum mine, the Group has two mining exploitation rights in respect of a molybdenum mine and a potassium Feldspar Mine in the PRC.

The Potassium Feldspar Mine is located at Shangluo City, Luonan County, Shaanxi Province, the PRC. The in-pit indicated and inferred mineral resource estimates for the Potassium Feldspar Mine were approximately 63.2 million tonnes and approximately 40.5 million tonnes respectively according to a technical report from an international mining technical advisory firm.

12. INVESTMENT DEPOSITS

Investment deposits represent the potential investment in Shaanxi Ding Jin Mining Company Limited ("Ding Jin") which holds an iron mine located at Zi Yang Xian, An Kang City, Shan Xi Province, the PRC ("Iron Mine"). The Group and Ding Jin agreed two years period to satisfy the conditions including (i) Ding Jin obtained all necessary approval documents to operate the Iron Mine (i.e. the exploitation right and environment approval issued by the relevant PRC authorities); and (ii) the satisfaction of due diligence performed by the Group, including the evaluation of reserve of the Iron Mine.

13. OTHER FINANCIAL ASSETS

Other financial assets represent the promissory notes receivable with a face value of HK\$500 million with maturity of 3 years from the date of issuance of the promissory note. As at 30 June 2017, the remaining balance of the promissory notes was approximately HK\$300 million.

14. TRADE AND BILLS RECEIVABLES

| | 30 June 2017 HK\$'000 (Unaudited) | 31 December 2016 HK\$'000 (Audited) |
|-----------------------------|--|--|
| Trade and bills receivables | 8,304 | 8,052 |

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

| | 30 June 2017 HK\$'000 (Unaudited) | 31 December 2016 HK\$'000 (Audited) |
|---------------|--|--|
| 0–30 days | – | 3,583 |
| 31–60 days | 4,162 | – |
| 61–90 days | 421 | – |
| 91–180 days | – | 4,469 |
| Over 180 days | 3,721 | – |
| | 8,304 | 8,052 |

15. CONVERTIBLE BONDS

On 21 December 2016 and 29 December 2016, the Company issued unsecured convertible bonds with principal amount of HK\$98,828,000 (the “CB B”) and HK\$250,000,000 (the “CB A”) respectively (“CBs”). The maturity date of the CBs are two years from the issuance date. The CBs carrying interest at 10% per annum and payables arrears at first anniversary and upon its maturity dates. The CBs holders have the rights to convert the CBs into ordinary shares of the Company at any time and from time to time between the date of issue of the CBs and up to respectively maturity date, at the initial conversion price of HK\$0.15, subject to adjustment as set out and in accordance with the terms and conditions in the instrument constituting the CBs.

16. TRADE AND BILLS PAYABLES

| | 30 June 2017 HK\$'000 (Unaudited) | 31 December 2016 HK\$'000 (Audited) |
|---------------|--|--|
| 0–30 days | 2,487 | 3,490 |
| 31–60 days | 447 | 694 |
| 61–90 days | 721 | 971 |
| 91–180 days | 465 | 388 |
| Over 180 days | 64,595 | 65,056 |
| | 68,715 | 70,599 |

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL FINANCIAL PERFORMANCE

For the six months ended 30 June 2017, North Mining Shares Company Limited (the “Company”) and its subsidiaries (collectively the “Group”) recorded a revenue of approximately HK\$88,176,000 (30 June 2016: approximately HK\$118,527,000), representing a decrease of approximately 25% over the same period in 2016.

During the period under review, the loss recorded by the Group was approximately HK\$63,073,000 (30 June 2016: loss of approximately HK\$12,437,000), representing a increase in loss of approximately 4 times the same period in 2016, such increase was mainly attributable to the increase in finance cost and increase in amortisation of mining rights.

BUSINESS REVIEW

The principal activities of the Group are (i) mining operations — exploitation, exploration and trading of mineral resources and (ii) property management operations. There was no change in business segment during the period under review. An analysis of each of these business segments is presented below:

Mining Operations — Exploitation and Exploration and Trading of Mineral Resources

During the period under review, the volume of molybdenum concentrate produced was about 1,104 tonnes (30 June 2016: 97 tonnes), whereas the grade of molybdenum concentrate was approximately 45%–50%. The average selling price of molybdenum concentrate was approximately HK\$45,346 per tonne. During the period under review, the mining operation contributed a revenue of approximately HK\$84,621,000 (30 June 2016: approximately HK\$114,985,000) to the Group, of which approximately HK\$83,133,000 was contributed by sales of molybdenum concentrate (30 June 2016: approximately HK\$111,758,000) and approximately HK\$1,488,000 was contributed by sales of sulfuric acid and iron concentrate (30 June 2016: approximately HK\$3,227,000). The cost of sales was approximately HK\$72,842,000 (30 June 2016: approximately HK\$107,922,000). The gross profit was amounted to approximately HK\$11,779,000 (30 June 2016: approximately HK\$7,063,000). During the six months ended 30 June 2017, the Group recognised an amortisation of mining rights of approximately HK\$17,141,000 (30 June 2016: approximately HK\$3,063,000).

Property management operations

During the period under review, the performance of the Group’s property management operations was relatively stable. For the six months ended 30 June 2017, the turnover generated from the property management operation was approximately HK\$3,555,000, representing similar to the corresponding period of last year of HK\$3,542,000.

MATERIAL ACQUISITION

On 19 January 2017, the Group completed the acquisition of 65% equity interests in Wealth Pioneer Group Limited and its subsidiaries (“Wealth Pioneer Group”) at a consideration of HK\$900 million which was satisfied as to HK\$400 million by cash and HK\$500 million by issuance of promissory notes. During the period under review, the promissory notes were fully settled. The principal asset of Wealth Pioneer Group is the Potassium Feldspar Mine located in Shaanxi Province, the PRC. The in-pit indicated and inferred mineral resource estimates for the Potassium Feldspar Mine were approximately 63.2 million tonnes and approximately 40.5 million tonnes respectively according to a technical report from an international mining technical advisory firm. The Board is of the view that the acquisition of Wealth Pioneer Group provides a prime opportunity for the Group to enter into the potassium feldspar mineral resources industry and diversify the revenue stream of the Group in future which is expected to increase the Shareholders’ value and benefit the Company and the Shareholders as a whole.

FUND RAISING EXERCISE

During the period under review, there was no fund raising exercise carried out by the Group.

PROSPECTS

In the first half of 2017, the global economic situation remains uncertain, while China’s economy still confronted with downward pressure. The Group remains cautious about the business growth in the short term. Nevertheless, the Group continues to be optimistic about the prospects for the mid- to long-term business. The price for molybdenum concentrates started to improve by 2016 year’s end. The price of molybdenum have stabilised into 2017 and we are seeing positive signs from the market. In respect of the potassium mine acquired at the beginning of the year, its minerals can be processed into potassium sulphate that would improve soil fertility and enhance crops output. According to a survey conducted by the Ministry of Agriculture of the PRC, there is a lack of potassium in 80% of the soil in China, which contributes to the rising demand for potassium fertilizer.

The Group will endeavor to keep abreast of the changing market conditions, proactively looking for investment opportunities and expand its mineral resources in order to broaden the revenue base of the Group, enhance its future financial performance and profitability, and fine tune its business strategies when the directors of the Company (the “Directors”) think appropriate. Moreover, the Group is seeking further operating efficiencies across the business. We are confident in the future and committed to continued Company growth.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow. During the period under review, the Group recorded a net cash outflow of approximately HK\$74,562,000 (30 June 2016: cash outflow of approximately HK\$524,985,000). The cash outflow was mainly due to the acquisition of subsidiaries of approximately HK\$540,000,000 from the Group’s investing activities. The Group also had a net cash inflow from financing activities contributed by borrowing of approximately HK\$8,552,000. The current ratio as at 30 June 2017 was approximately 1.64 as contrasted by 4.21 as at 31 December 2016. As at 30 June 2017, the debt to equity ratio as at 30 June 2017 was approximately 0.54 as contrasted by 0.27 as at 31 December 2016. The board of Directors (the “Board”) considered that the Group had a healthy financial position and had enough resources to satisfy its working capital requirement.

CAPITAL COMMITMENT

As at 30 June 2017, 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 2017 (2016: Nil).

CAPITAL STRUCTURE

The capital structure of the Group as at 30 June 2017 has been summarised below:

| | 30 June 2017 HK\$'000 (Unaudited) | 31 December 2016 HK\$'000 (Audited) |
|----------------------|--|--|
| Current assets | 1,882,109 | 1,674,733 |
| Current liabilities | 1,150,579 | 638,643 |
| Shareholders' equity | 3,254,988 | 3,339,284 |

TREASURY POLICIES

During the six months ended 30 June 2017, 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 2017, 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 2017, the Group had borrowings of approximately HK\$632,142,000 (31 December 2016: HK\$361,167,000).

CONTINGENT ASSETS AND LIABILITIES

As at 30 June 2017, the Group had no significant contingent assets and liabilities.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2017, the Group employed 380 (30 June 2016: 496) 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 2017 were approximately HK\$6,906,000.

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 2017.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2017, the Company has applied the principles of the Corporate Governance Code ("the 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:

1. Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Yang Ying Min ("Mr. Yang"), being the Chairman and Chief Executive of the Company. Mr. Yang has in-depth knowledge and considerable experience of the Group's business who is responsible for the overall strategic planning and general management of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same person leading to consistent leadership of the Group and enabling the Group to make and implement decisions promptly and thus achieving the Group's objectives efficiently and effectively in response to the changing environment.

The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

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

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

The 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.

3. Under the code provision A.6.7 of the Code, independent non-executive directors should, inter alia, attend general meetings.

Due to personal and other important engagement at the relevant time, Mr. Leung Kan Fai and Dr. Cheng Chak Ho were absent from the 2017 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 2017.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Messrs. William Fong, Leung Kar Fai and Cheng Chak Ho. The audit committee shall review the interim and annual financial statement of the Group before their submission to the Board of the Company for approval, and review the effectiveness of the financial reporting system, risk management and internal control system of the Group. The audit committee has reviewed the Group's interim results for the six months ended 30 June 2017.

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 2017 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
Yang Ying Min
Chairman

Hong Kong, 29 August 2017

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