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 2017

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 2017, together with the comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	*3(a)*	**468,601**	256,004
Cost of sales		**(362,506)**	(219,986)
Gross profit		**106,095**	36,018
Other income	*3(b)*	**4,672**	67,297
Other gains and losses	*4*	**(88,435)**	(53,829)
Administrative expenses		**(95,489)**	(131,672)
Other operating expenses		**–**	(248,007)
Loss from operations		**(73,157)**	(330,193)
Finance costs	*6*	**(121,366)**	(39,724)
Loss before income tax	*7*	**(194,523)**	(369,917)
Taxation	*8*	**13,317**	9,521
Loss for the year		**(181,206)**	(360,396)

	Notes	2017 HK$'000	2016 HK$'000
Attributable to:			
Owners of the Company		**(145,774)**	(324,425)
Non-controlling interests		**(35,432)**	(35,971)
		(181,206)	(360,396)
Loss for the year		**(181,206)**	(360,396)
Other comprehensive loss (Net of tax effect):			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign subsidiaries		**(62,845)**	(132,506)
Other comprehensive loss for the year		**(62,845)**	(132,506)
Total comprehensive loss for the year		**(244,051)**	(492,902)
Attributable to:			
Owners of the Company		**(226,980)**	(445,322)
Non-controlling interests		**(17,071)**	(47,580)
		(244,051)	(492,902)
Loss per share			
– Basic, HK cents	*10(a)*	**(0.68)**	(1.63)
– Diluted, HK cents	*10(b)*	**(0.68)**	(1.63)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	31 December 2017 HK$'000	31 December 2016 HK$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		**977,120**	495,555
Prepaid lease payments		**72,974**	52,750
Mining rights		**3,402,590**	996,303
Investment deposits	*11*	**600,000**	600,000
Prepayment for acquisition of subsidiaries	*12*	**–**	845,712
Goodwill		**69,131**	13,403
Intangible assets		**454,787**	–
Finance lease receivables		**5,077**	–
		5,581,679	3,003,723
Current Assets			
Other financial assets		**–**	300,000
Finance lease receivables		**1,314**	–
Inventories		**472,640**	413,824
Trade and bill receivables	*13*	**66,660**	8,052
Prepayments, deposits and other receivables		**252,408**	356,854
Cash and cash equivalents		**162,317**	596,003
		955,339	1,674,733
Total Assets		**6,537,018**	4,678,456
CAPITAL AND RESERVES			
Share capital		**343,926**	344,921
Reserves		**2,776,752**	2,994,363
Equity attributable to owners of the Company		**3,120,678**	3,339,284
Non-controlling interests		**1,486,364**	86,946
Total Equity		**4,607,042**	3,426,230

	Notes	31 December 2017 HK$'000	31 December 2016 HK$'000
LIABILITIES			
Non-Current Liabilities			
Bank loans and other borrowing		**251,321**	–
Convertible bonds	*14*	**–**	340,471
Deferred tax liabilities		**394,227**	273,112
		645,548	613,583
Current Liabilities			
Trade and bill payables	*15*	**184,859**	70,599
Other payables and accruals		**148,775**	95,677
Bank loans and other borrowings		**596,343**	361,167
Provision for environmental and resources tax		**–**	88,666
Convertible bonds	*14*	**344,686**	–
Tax payables		**9,765**	22,534
		1,284,428	638,643
Total Liabilities		**1,929,976**	1,252,226
Total Equity and Liabilities		**6,537,018**	4,678,456
Net Current (Liabilities)/Assets		**(329,089)**	1,036,090
Total Assets Less Current Liabilities		**5,252,590**	4,039,813
Net Assets		**4,607,042**	3,426,230

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 management operation, manufacture and sales of chemical products and sales of security technologies.

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 of the Company ("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 and basis for preparation

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 consolidated financial statements have been prepared in accordance with HKFRSs under the historical cost convention, as modified by the other financial instruments which are carried at fair value. 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.

2.2 Going concern

In preparing these consolidated financial statements, the Directors have considered the future liquidity of the Group. As at 31 December 2017, the Group had recorded a net current liabilities of approximately HK$329,089,000 and incurred a loss of approximately HK$263,741,000 for the year ended 31 December 2017. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the aforesaid conditions, these consolidated financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the Directors, the Group can meet its financial obligations as and when they fall due within the next year from the date of the consolidated financial statements, after taking into consideration of the following measures and arrangements made subsequent to the reporting date:

(i) As at the date of approving the consolidated financial statements, the Group obtained a loan facility of approximately HK$350,000,000. The loan carrying interest at 12% per annum;

(ii) The Directors will strengthen to implement measures aiming of improving the working capital and cash flows of the Group including closely monitoring the general administrative expenses and operating costs; and

(iii) The Directors will negotiate with certain bankers to obtain additional banking facilities, if necessary.

In light of the measures and arrangements implemented to date, the Directors are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the date of the consolidated financial statements, after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the development of its businesses. Accordingly, the Directors are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

2.3 Application of new and revised HKFRSs

During the year, HKICPA 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.

In the current year, the Company has applied the following amendments to HKFRSs issued by the HKICPA.

Amendments to HKFRS 12	Annual Improvements 2014-2016 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for unrealised Losses

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

2.4 New and revised HKFRSs in issue but not yet effective

Annual Improvements Project HKFRS 1 and HKAS 28	Annual Improvements 2014-2016 Cycle (amendments)[1]
HKFRS 2	Classification and Measurement of Share-based Payment Transactions (amendments)[1]
HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts (amendments)[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers (new standard)[1]
HKFRS 15	Clarifications to HKFRS 15 (amendments)[1]
HKAS 40	Transfers of Investment Property (amendments)[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration (new interpretation)[1]
HKFRS 9	Prepayment Features with Negative Compensation (amendments)[2]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments (new interpretation)[2]
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)[3]

[1)] *Effective for annual periods beginning on or after 1 January 2018*

[2)] *Effective for annual periods beginning on or after 1 January 2019*

[3)] *A date to be determined by the IASB*

The above new and revised HKFRSs does not have any impact to the Company's financial statements.

3. REVENUE AND OTHER INCOME

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

		2017	2016
		HK$'000	*HK$'000*
(a)	**Revenue:**		
	Sales of molybdenum concentrate	**202,926**	248,311
	Property management fee income	**7,488**	7,693
	Sales of chemical products	**199,695**	–
	Sales of security technologies products	**58,492**	–
		468,601	256,004
(b)	**Other income:**		
	Bank interest income	**174**	7,840
	Imputed interest on promissory notes	**–**	54,372
	Loan interest income	**–**	5,085
	Sales of by-products	**4,498**	–
		4,672	67,297

4. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Amortisation of prepaid lease payments	**(5,524)**	(5,595)
Amortisation of mining rights	**(50,569)**	(38,101)
Amortisation of intangible assets	**(32,485)**	–
Impairment loss on other receivables	**–**	(10,078)
Gain on de-registration of subsidiaries	**143**	–
Loss on disposal of property, plant and equipment	**–**	(55)
	(88,435)	(53,829)

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 four reportable operating segments as follows:

(a)	Mining operation:	– Exploration of mineral mines – Exploitation of molybdenum mines – Trading of mineral resources
(b)	Property management operation:	Provision of management service to commercial premises
(c)	Chemical trading operation:	Manufacturing and sale of chemical products
(d)	Security technologies operation:	Research, development and sale of security technologies products

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 2017

	Property management	Mining operation: Mining exploitation[2]	Mining operation: Trading of mineral resources	Trading of chemical products	Sale of security technologies	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
Segment revenue	7,487	189,540	13,388	199,694	58,492	468,601
Results[1]						
Segment results	(301)	(25,739)	(767)	(22,404)	4,116	(45,095)
Unallocated corporate income						4,672
Unallocated corporate expenses						(154,100)
Loss before income tax						(194,523)
Income tax						13,317
Loss for the year						(181,206)

For the year ended 31 December 2016

		Mining operation		
	Property management *HK$'000*	Mining exploitation[2] *HK$'000*	Trading of mineral resources *HK$'000*	Total *HK$'000*
Revenue				
Segment revenue	7,693	235,591	12,720	256,004
Results[1]				
Segment results	(9)	(42,294)	(292)	(42,595)
Unallocated corporate income				67,297
Unallocated corporate expenses				(385,094)
Loss before income tax				(360,392)
Income tax				(4)
Loss for the year				(360,396)

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 2017, segment results for mining exploitation included amortisation of mining rights of approximately HK$50,569,000 (2016: approximately HK$38,101,000), and operating expenses which are directly related to the reportable segment. Reversal of deferred tax liabilities regardly to amortisation of mining rights of approximately HK$12,642,000 (2016: approximately HK$9,525,000 included in income tax).

Segment assets and liabilities

	Property management	Mining exploitation	Trading of mineral resources	Trading of chemical products	Selling and service providing of security technologies	Others	Total
		Mining operation					
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2017							
Segment assets	**601,832**	**4,192,563**	**392,708**	**593,618**	**159,313**	**597,074**	**6,537,108**
Segment liabilities	**1,323**	**832,449**	**–**	**261,303**	**198,014**	**636,887**	**1,929,976**
As at 31 December 2016							
Segment assets	1,440	1,559,742	389,271	–	–	2,728,003	4,678,456
Segment liabilities	991	625,748	13,112	–	–	612,375	1,252,226

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 management	Mining operation: Mining exploitation	Mining operation: Trading of mineral resources	Trading of chemical products	Selling and service providing of security technologies	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2017							
Depreciation and amortisation	**3**	**65,775**	**7**	**8,537**	**3,818**	**5,411**	**83,551**
Capital expenditures	**5**	**450**	**–**	**–**	**1,285**	**10**	**1,750**
As at 31 December 2016							
Depreciation and amortisation	4	57,083	4	NIL	NIL	5,481	62,572
Impairment loss recognised during the year	–	726	–	NIL	NIL	9,352	10,078
Capital expenditures	4	3,983	24	NIL	NIL	–	4,011

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	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Overseas	**3,928**	2,997	**–**	–
Hong Kong	**–**	–	**12,041**	928,326
The PRC	**464,673**	253,007	**6,524,977**	3,750,130
	468,601	256,004	**6,537,018**	4,678,456

5.3 Information about major customers

The following is an analysis of revenue from customers contributing over 10% of total revenue.

	2017	2016
	HK$'000	*HK$'000*
Customer A	**48,123**	N/A[1]

Note:

1. The corresponding year's revenue did not contribute over 10% to the total sales of the Group.

Excepts for the customers stated above, there is no other single customer contributing over 10% of total revenue.

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank loans and other borrowings wholly repayable within five years	**82,267**	39,189
Imputed interest on convertible bonds	**39,099**	535
	121,366	39,724

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2017	2016
	HK$'000	*HK$'000*
Auditors' remuneration	**1,080**	900
Cost of inventories expensed	**352,274**	213,608
Depreciation of property, plant and equipment	**27,458**	18,876
Staff costs (including directors' remuneration)		
– Wages and salaries	**11,797**	14,573
– Retirement benefits contributions	**1,220**	750
Striping costs*	**–**	175,336
Operating lease payments in respect of offices premises	**8,247**	6,382

* Include in other operating expenses

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.

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
PRC corporate income tax	**7,446**	4
Hong Kong Profits Tax	**–**	–
Deferred tax	**(20,763)**	(9,525)
	(13,317)	(9,521)

9. DIVIDENDS

The Directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2017 (2016: 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$145,774,000 (2016: HK$324,425,000) attributable to equity holders of the Company, and weighted average of 21,541,537,000 (2016: 19,952,355,030) ordinary shares in issue during the year.

(b) Diluted loss per share

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2016. The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since their assumed exercise would result in a decrease in loss per share during the year ended 31 December 2017.

11. INVESTMENT DEPOSITS

As at 31 December 2017, balance of investment deposits comprise of:

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 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. The promissory note is secured by an iron mine indirectly owned as to 96% by Ding Jin. Pursuant to the subscription agreement, the Group has the right to acquire the Iron Mine should the subscriber failed the settlement of the promissory note to the Group. The Iron Mine is located at Zi Yang Xian, An Kang City, Shan Xi Province, the PRC covering approximately 13.54 km^2.

During the year ended 31 December 2016, the Group discussed with Ding Jin to consider the potential possibility to acquire the Iron Mine held by Ding Jin given the condition that (i) Ding Jin obtained all the necessary approval documents to operate the Iron Mine, including but not limited to the exploitation right and environment approval issued by the relevant PRC authorities; and (ii) the satisfaction of due diligence performed by the Group's mining team, in particular the evaluation of reserve of the Iron Mine. Accordingly, the Group and Ding Jin agreed two years period for both parties to satisfy the conditions layout by the Group. The consideration will be based on the valuation to be performed by an independent valuer upon the completion of the conditions, however, the principal amounts of the promissory note together with the interests owed by Ding Jin to the Group will be used as part of the consideration for the acquisition of the Iron Mine in future, but will be refundable to the Group in the case that the conditions not met. Accordingly, the carrying amounts of promissory note receivable were classified as investment deposits as at 31 December 2016.

12. PREPAYMENT FOR ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2016, the Group entered into a sale and purchase agreement with two independent third parties for the acquisition of 65% equity interests in Wealth Pioneer Group Limited and its subsidiaries ("Target Group"), at the consideration of HK$900 million. The principal asset of the Target Group is the Potassium Feldspar Mine located in Shaanxi Province, the PRC. As at 31 December 2016, the Group settled approximately HK$845.7 million for the consideration. The acquisition was completed on 19 January 2017.

13. TRADE AND BILL RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade and bill receivables	**66,660**	8,052

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

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**3,065**	3,583
31–60 days	**4,772**	–
61–90 days	**–**	–
91–180 days	**44,596**	4,469
Over 180 days but within one year	**14,227**	–
	66,660	8,052

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

	2017	2016
	HK$'000	*HK$'000*
31–60 days	**4,772**	–
61–90 days	**–**	–
91–180 days	**44,596**	4,469
Over 180 days but within one year	**14,227**	–
	63,595	4,469

For the year ended 31 December 2017, 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 (2016: 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. CONVERTIBLE BONDS

Non-current liabilities component:

	2017	2016
	HK$'000	*HK$'000*
Convertible bonds with principal amount of:		
HK$250,000,000 (CB A)	**246,857**	243,838
HK$98,838,000 (CB B)	**97,829**	96,633
	344,686	340,471

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. The maturity date of the CB B and CB A are 20 December 2018 and 28 December 2018 respectively. The CB B and CB A is interest bearing at 10% per annum and payables arrears at first anniversary and upon its maturity dates. The CB B and CB A holders have the rights to convert the CB B and CB A into ordinary shares of the Company at any time and from time to time between the date of issue of the CB B and CB A and up to respectively maturity date, at the initial conversion price of HK$0.15 (the "Conversion Price"), subject to adjustment as set out and in accordance with the terms and conditions in the instrument constituting the CB B and CB A.

The fair values of the liability component and the equity conversion component were determined at the issuance of the convertible bonds. The fair value of the liability component, include in current financial liabilities, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity. The convertible bonds recognised in the consolidated statement of financial position are calculated as follows:

	CB A	**CB B**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2016 and proceeds from issue	250,000	98,838	348,838
Equity components	(6,380)	(2,522)	(8,902)
Liability components	243,620	96,316	339,936
Imputed interest charged	218	317	535
As at 31 December 2016 and at 1 January 2017	243,838	96,633	340,471
Imputed interest charged	28,019	11,080	39,099
Interest paid	(25,000)	(9,884)	(34,884)
As at 31 December 2017	246,857	97,829	344,686

Interest expenses on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 11.5% to the liability component.

15. TRADE AND BILL PAYABLES

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**39,484**	3,490
31–60 days	**19,906**	694
61–90 days	**–**	971
91–180 days	**58,872**	388
Over 180 days but within one year	**66,597**	65,056
	184,859	70,599

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

EXTRACTS OF INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

As described in note 2 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK$181,206,000 for the year ended 31 December 2017 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$329,089,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The aforesaid "note 2 to the consolidated financial statements" in the extract of the independent auditor's report is disclosed in note 2 to this announcement.

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$468,601,000, representing an increase of approximately 83% as compared with 2016 of approximately HK$256,004,000. Such increase was mainly attributable to the Group's new business segments, namely (i) chemical trading operation; and (ii) security technologies operations which were commenced through acquisition of subsidiaries during the year ended 31 December 2017.

For the year ended 31 December 2017, the Group recorded a loss attributable to owners of the Company of approximately HK$145,774,000 (2016: loss of approximately HK$324,425,000), representing a decrease of 55% as compared with last year.

BUSINESS REVIEW

The principal activities of the Group are: (i) mining operations – exploitation and trading of mineral resources; (ii) property management operations; (iii) chemical trading operations – manufacturing and sale of chemical products; and (iv) security technologies operations – research, development and sale of security technologies products. New business segments, namely chemical trading and security technologies operation, were added to the Group's segment analysis during the year under review. An analysis of each of these business segments is presented below:

Mining Operations – Exploitation and Trading of Mineral Resources

Molybdenum Mine

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%.

During the year under review, the volume of molybdenum concentrate produced was approximately 3,104 tonnes (2016: 1,021 tonnes). The sales volume of molybdenum concentrate was approximately 3,194 tonnes (2016: 4,544 tonnes). The average selling price of molybdenum concentrate was approximately HK$63,416 per tonne (2016: HK$54,645). During the year under review, the Group's mining operation contributed revenue of approximately HK$202,713,000 (2016: approximately HK$248,311,000) to the Group. The cost of sales was approximately HK$162,021,000 (2016: approximately HK$213,608,000). Gross profit was approximately HK$40,692,000 (2016: approximately HK$34,703,000) and the gross profit margin was 20% (2016: 14%), representing an increase of 43% as compared with last year. The increase in gross profit margin was mainly due to the increase in average selling price of molybdenum concentrate from about HK$54,645 per tonne in 2016 to HK$63,416 per tonne in 2017.

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 a yearly basis. The basis for assessing the value in use was based on the discount cash flow method (the "DCF"). In the opinion of the Directors, the DCF method is the best way 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 and the Directors had the consensus to adopt a consistent valuation methodology and accounting policy in accounting for such mining operation because there would be no fundamental change in the mining industry and external environment.

The source data and inputs of the DCF method were mainly comprised of: (i) the estimated sales of molybdenum concentrate; and (ii) major operating expenses. The assumptions used in the DCF method were mainly related to the forecasting of: (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 based on actual daily operating expenditures; (iv) management's best estimate of the future cash outflow, including changes in working capital, and the incremental capital expenditure foreseeable to be incurred. A discount rate of 11% was used for the DCF method projections, which was determined with reference to the weighted average cost of capital.

Based on the assessment of the value in use, no impairment loss had been provided in the consolidated financial statements for the year ended 31 December 2017.

In view of a rising trend of the molybdenum price, the Board is of opinion that there is a necessity for expanding our production and maximizing the production capacity of our existing processing plants in an effective way. In addition, a steep side slope formed as a result of insufficient stripping processing at Xi Daliang section of the open pit mine. To unfold the entire border of the open pit mine, we reduced the side slope to ensure production safety. As a result, the stripping project at the Xi Daliang was taken place in 2016 due to corporate production efficiency and workplace safety.

The stripping project at Xi Daliang refers to the entire stripping project in the western part of the Wang Hegou Open Pit Mine in proximity with the county border, which includes two ridges at Xi Daliang and Wang Gou Xiliang and the bordering slopes. By elevation, this project has the highest point of 1,368 meters and the lowest point of 1,168 meters, respectively. By length and average width, this project extends 620 meters and approximately 200 meters, respectively. The horizontal projection area accounts for one third of the boundary of the entire open pit mine. The working dimension is approximately 5,935,600 cubic meters. During the year ended 31 December 2016, the Group incurred stripping costs of approximately HK$175,336,000 to expand additional areas for exploitation of molybdenum concentrate. The stripping project was still on going in 2017.

Potassium Feldspar Mine

During the year under review, the Group acquired a potassium feldspar mine through an acquisition of subsidiaries. The potassium feldspar mine is 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. During the year under review, no revenue was generated by the potassium feldspar mine as the operation was still under development.

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 2017, revenue generated from this segment was approximately HK$7,487,000 (2016: HK$7,693,000), representing a decrease of approximately 2.68% (2016: 0.1%) as compared to last year.

Chemical trading operations

The Group's chemical trading operations mainly includes manufacturing and sale of chemical products in the PRC. Our chemical products were produced by Anhui Tongxi Chemical Company Limited ("Anhui Tongxi"), a non-wholly owned subsidiary acquired on 19 September 2017. Upon completion of the acquisition of Anhui Tongxi, revenue generated from this segment to the Group was approximately HK$199,694,000. The cost of sales was approximately HK$168,998,000. Gross profit was approximately HK$30,696,000 and the gross profit margin was 15%.

Security technologies operations

The Group's security technologies operations mainly includes research and development of face recognition technologies in the PRC. Our security technologies and service were provided by Xinjinag Casiavision Security Technology Company Limited and Xinjiang Xintongxing Telecommunication Engineering Company Limited ("Xinjiang Group"), which were wholly owned subsidiaries acquired on 7 September 2017. Upon completion of the acquisition of Xinjiang Group, revenue generated from this segment to the Group was approximately HK$58,492,000. The cost of sales was approximately HK$24,769,000. Gross profit was approximately HK$33,723,000 and the gross profit margin was 58%.

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 year 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 its Shareholders as a whole.

On 7 September 2017, the Group completed the acquisition of 100% equity interests in Gold Pearl Investment Limited and its subsidiaries ("Gold Pearl") at a consideration of HK$430,000,000 in cash. The major subsidiary of Gold Pearl was Xinjiang Group which was principally engaged in the research and product development of face recognition technology and intelligent video analysis technology and application. Xinjiang Group is currently engaged in two public security projects in the PRC, namely Karamay PingAn City Project and Zhundong PingAn City Project. The Board is of the view that the acquisition of Gold Pearl provides a prime opportunity for the Group to enter into the security industry and diversify the revenue stream of the Group in future, which is expected to increase the Shareholders' value and benefit the Company and its shareholders as a whole.

On 19 September 2017, the Group completed the acquisition of 51% equity interests in Anhui Tongxin Chemical Company Limited ("Anhui Tongxin") at a consideration of RMB40,800,000 in cash. Anhui Tongxin is principally engaged in the research and development, sales and marketing of chemical products (apart from dangerous chemicals) and the provision of related technical services. The Board is of the view that the acquisition will enable the Group to diversify the Group's business in a realm with potential growth opportunity and can provide another source of revenue to the Group so as to diversify its business portfolio.

PROSPECTS

Despite various challenges in the global economy, China, as one of the world's key driver of economic growth, managed to maintain substantial investment in infrastructure. With the implementation of the "13th Five-Year Plan" and the "One Belt, One Road" initiative, steady and moderate economic growth is well expected.

During the year under review, the Group invested in the security business in Xinjiang Autonomous Region ("Xinjiang"). Since Xinjiang has been relying on civil defense organizations to maintain law and order for a number of years, its standard is far below the level of China's first-tier cities. Accordingly, the PRC government is concerned about the local law and order and the existing security system is required to be gradually upgraded. Given the growth potential of the security market of the PRC, the prospects of the security industry is expected to be bright. During the year under review, the Group also invested in the chemical business, and it is expected that the investment in chemical business will provide the Group with an alternative source of revenue.

The price of molybdenum became stabilised in 2017, and it is expected the price of molybdenum concentrates will remain steady in 2018. In respect of the potassium mine acquired at the beginning of 2017, minerals produced therefrom can be processed into potassium sulphate which is able to improve soil fertility and enhance corps output. According to a survey conducted by the Ministry of Agriculture of the PRC, approximately 80% of arable land in the PRC is in lack of potassium, which will contribute to the rising demand for potassium fertilizer. It is expected the price of potassium will also remain steady in 2018.

The Group will make every endeavor to keep abreast of the changing market conditions, proactively identify 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 think appropriate. Moreover, the Group is seeking for further operating efficiency across the business. We are confident in the future and committed to continuous growth of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and proceeds from suitable source of funding. During the year under review, the Group recorded a cash outflow of approximately HK$433,686,000 (2016: inflow of approximately HK$370,641,000) which was mainly due to the Group used internal cash resources to facilitate for the acquisition of subsidiaries in 2017.

As at 31 December 2017, the Group had outstanding bank loans and other borrowings at the amount of approximately HK$847,664,000 (2016: approximately HK$361,167,000). The Group's gearing ratio as at 31 December 2017 was approximately 12.97% (2016: 7.94%). The increase in gearing ratio was mainly due to the increase in proportion of interest bearing bank borrowings to total liability and equity during the year under review. The Board will closely monitor the liquidity position of the Group to ensure the Group has sufficient funding to settle the debts when fall due. As at 31 December 2017, the Group's current ratio was approximately 0.74 (2016: approximately 2.62).

The decrease in current ratio was mainly due to increase in bank loans and other borrowings during the year under review. As at 31 December 2017, the Group's debt to equity ratio was approximately 0.42 (2016: approximately 0.37). The increase in debt to equity ratio was mainly due the increase in borrowing during the year under review.

The ratio was calculated by dividing the total liabilities of approximately HK$1,929,976,000 (2016: approximately HK$1,252,226,000) by equity attributable to owners of the Company of approximately HK$3,120,678,000 (2016: approximately HK$3,339,284,000). Overall, the Board believes that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.

CAPITAL STRUCTURE AND TREASURY POLICIES

Capital Structure

The Group's capital structure as at 31 December 2017 mainly comprised of current assets of approximately HK$955,339,000 (2016: approximately HK$1,674,733,000), current liabilities of approximately HK$1,284,428,000 (2016: approximately HK$638,643,000) and equity attributable to owners of the Company of approximately HK$3,120,678,000 (2016: approximately HK$3,339,284,000).

Current assets mainly comprised of (i) cash and cash equivalents of approximately HK$162,317,000 (2016: approximately HK$596,003,000); (ii) inventories of approximately HK$472,640,000 (2016: approximately HK$413,824,000); and (iii) prepayments, deposits and other receivables of approximately HK$253,722,000 (2016: approximately HK$356,854,000).

Current liabilities mainly comprised of (i) borrowings of approximately HK$596,343,000 (2016: approximately HK$361,167,000); (ii) trade payables of approximately HK$184,859,000 (2016: approximately HK$70,599,000); and (iii) accruals and other payables of approximately HK$148,775,000 (2016: approximately HK$95,677,000).

Issued Convertible Bonds

During the year under review, the Group did not issue any convertible bonds. During the year ended 31 December 2016, the Group issued two convertible bonds: (i) convertible bond in an aggregate principal amount of HK$98,838,000 on 21 December 2016. The interest rate is 10% per annum, from the date of issue payable annually in arrears. The bondholder will have the right to convert the whole or part of the principal amount of the convertible bond into the conversion shares at an initial conversion price of HK$0.15 per share (subject to adjustment) at any time and from time to time, between the date of issue of the convertible bond, and up to the date falling on the second anniversary of the date of issue of the convertible bond; and (ii) convertible bond in an aggregate principal amount of HK$250,000,000 on 29 December 2016. The interest rate is 10% per annum, from the date of issue payable annually in arrears. The bondholder will have the right to convert the whole or part of the principal amount of the convertible bond into the Conversion Shares at an initial conversion price of HK$0.15 per share (subject to adjustment) at any time and from time to time, between the date of issue of the convertible bond, and up to the date falling on the second anniversary of the date of issue of the convertible bond.

Shares buyback

As disclosed in the Company's announcement dated 25 September 2017, 26 September 2017, 28 September 2017 and 12 October 2017, the Company bought back shares through Grand Investment (Securities) Limited, pursuant to which the directors have agreed to share buyback, and the Company has agreed to buy back up to 30,180,000 shares at market price of HK$0.1592 per shares; 7,650,000 shares at market price of HK$0.1593 per shares; 12,330,000 shares at market price of HK$0.1622 per shares and 12,000,000 shares at HK$0.1610 per shares respectively. The Shares were cancelled in the stock market on 6 October 2017 and 18 October 2017 for the announcement in September and October respectively.

Subscription of Shares

As disclosed in the Company's announcement dated 8 December 2016, the Company entered into the Shares Subscription Agreement with Hong Kong Bridge Investments Limited, pursuant to which the Share Subscriber has agreed to subscribe, and the Company has agreed to issue and allot for up to 1,654,929,577 new Shares at the Subscription Price of HK$0.142 per Subscription Share ("Shares Subscription"). The Shares Subscription was completed on 21 December 2016.

There was no subscription of shares during the year ended 31 December 2017.

Treasury Policies

During the year ended 31 December 2017, 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 2017 and 2016, 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 2017, the Group had bank and other borrowings amounted to approximately HK$847,664,000 (2016: HK$361,167,000). As at 31 December 2017, the Group's interest bearing bank loans were carried at effective interest rates from 5% to 12% per annum and were secured by (i) guarantees from a subsidiary of the Group and the subsidiary's minority shareholders; (ii) guarantee from the ultimate control party; and (iii) pledged bank deposit of approximately HK$106,220,000.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no significant contingent liabilities (2016: Nil).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2017, the Group employed 637 full time employees (2016: 772 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 2017 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 2017. 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.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2017.

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 2017, 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 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, has in-depth knowledge and considerable experience in the Group's business, and 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 will lead to consistent leadership of the Group and enable the Group to make and implement decisions promptly, thus achieving the Group's objectives efficiently and effectively in response to the changing environment.

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

2. Under the code provision A.5.1 of the Code, the Company should establish a nomination committee chaired by the chairman of the Board or an independent non-executive director. The majority of its members shall be independent non-executive directors.

   However, the Board considers that the setting up of a nomination committee may not be necessary given 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, nominating and appointing directors to fill casual vacancies.

   The Company has formulated a board diversity policy (the "Policy") for achieving diversity on the Board of the Company. The Policy enables the sustainable and balanced development of the Company's strategic objectives. The Board reviews the Policy annually to ensure the effectiveness of which.

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, Mr. Leung Kar Fai and Dato 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 year ended 31 December 2017.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely. Mr. William Fong, Mr. Leung Kar Fai and Dato Dr. 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 2017.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The result announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.northmining.com.hk. The 2017 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, 28 March 2018

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 Dato Dr. Cheng Chak Ho as Independent Non-executive Directors.