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 2016

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 2016, together with the comparative figures for the year ended 31 December 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	3(a)	**256,004**	245,969
Cost of sales		**(219,986)**	(225,774)
Gross profit		**36,018**	20,195
Other income	3(b)	**67,297**	85,439
Other gains and losses	4	**(53,829)**	(822,932)
Administrative expenses		**(131,672)**	(101,405)
Other operating expenses		**(248,007)**	–
Loss from operations		**(330,193)**	(818,703)
Finance costs	6	**(39,724)**	(16,949)
Loss before income tax	7	**(369,917)**	(835,652)
Taxation	8	**9,521**	125,690
Loss for the year		**(360,396)**	(709,962)

	Notes	**2016**	2015
		HK$'000	*HK$'000*
Attributable to:			
Owners of the Company		**(324,425)**	(436,220)
Non-controlling interests		**(35,971)**	(273,742)
		(360,396)	(709,962)
Loss for the year		**(360,396)**	(709,962)
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		**(132,506)**	(270,782)
Other comprehensive loss for the year		**(132,506)**	(270,782)
Total comprehensive loss for the year		**(492,902)**	(980,744)
Attributable to:			
Owners of the Company		**(445,322)**	(707,001)
Non-controlling interests		**(47,580)**	(273,743)
		(492,902)	(980,744)
Loss per share			
— Basic, HK cents	*10(a)*	**(1.63)**	(2.49)
— Diluted, HK cents	*10(b)*	**(1.63)**	(2.49)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	31 December 2016 HK$'000	31 December 2015 HK$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		**495,555**	545,198
Prepaid lease payments		**52,750**	62,128
Mining rights		**996,303**	1,104,387
Investment deposits	11	**600,000**	–
Prepayment for acquisition of subsidiaries	12	**845,712**	–
Goodwill		**13,403**	13,403
Loan receivables		**–**	191,068
		3,003,723	1,916,184
Current Assets			
Other financial assets	13	**300,000**	1,045,628
Inventories		**413,824**	411,032
Investment deposits	11	**–**	458,252
Trade and bill receivables	14	**8,052**	16,318
Prepayments, deposits and other receivables	15	**356,854**	374,381
Tax recoverable		**–**	15,225
Cash and cash equivalents		**596,003**	225,362
		1,674,733	2,546,198
Total Assets		**4,678,456**	4,462,382
CAPITAL AND RESERVES			
Share capital		**344,921**	318,441
Reserves		**2,994,363**	3,222,263
Equity attributable to owners of the Company		**3,339,284**	3,540,704
Non-controlling interests		**86,946**	134,526
Total Equity		**3,426,230**	3,675,230

	Notes	**31 December 2016** *HK$'000*	31 December 2015 *HK$'000*
LIABILITIES			
Non-Current Liabilities			
Convertible bonds	*16*	**340,471**	–
Deferred tax liabilities		**273,112**	301,801
		613,583	301,801
Current Liabilities			
Trade and bill payables	*17*	**70,599**	76,663
Other payables and accruals		**95,677**	188,117
Bank loans and other borrowings		**361,167**	100,908
Provision for environmental and resources tax		**88,666**	95,534
Tax payables		**22,534**	24,129
		638,643	485,351
Total Liabilities		**1,252,226**	787,152
Total Equity and Liabilities		**4,678,456**	4,462,382
Net Current Assets		**1,036,090**	2,060,847
Total Assets Less Current Liabilities		**4,039,813**	3,977,031
Net Assets		**3,426,230**	3,675,230

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

North Mining Shares Company Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liabilities. The address of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business is located at Rooms 1505–7, 15/F., Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The principal activities of the Company are investment holding and property investment. The principal activities of the Company and its subsidiaries (the "Group") are mining operation, property leasing and property management operation.

The consolidated financial statements are presented in Hong Kong dollars, which is the same functional currency of the Company.

In the opinion of the directors 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

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Company. The following paragraph provides information on initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these consolidated financial statements.

2.2 Basis of preparation

The consolidated financial statements have been prepared in accordance with HKFRSs under the historical cost convention, as modified by the other financial instruments which are carried at fair value, as explained in the accounting policies set out below. In addition, the consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2.3 Application of new and revised HKFRSs

The Company has applied the following new and revised HKFRSs issued by the HKICPA that are relevant for the preparation of the Company's financial statements for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

The application of the amendments to HKFRSs in the current year has had no material impact on the Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

2.4 New and revised HKFRSs in issue but not yet effective

HKFRS 9	Financial Instruments[2]
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after to be determined

The Company is in the process of assessing the impact of these new and revised standards, amendments to standards and interpretation to existing standards and does not expect there will be a material impact on the financial statements of the Company.

3. REVENUE AND OTHER INCOME

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

	2016	2015
	HK$'000	*HK$'000*
(a) Revenue:		
Sales of molybdenum concentrate	**248,311**	238,225
Property management fee income	**7,693**	7,744
	256,004	245,969
(b) Other income:		
Bank interest income	**7,840**	18
Imputed interest on promissory notes	**54,372**	69,745
Loan interest income	**5,085**	15,360
Sundry income	**–**	316
	67,297	85,439

4. OTHER GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
Amortisation of prepaid lease payments	**(5,595)**	(5,953)
Amortisation of mining rights	**(38,101)**	(130,852)
Impairment loss on mining rights	**–**	(465,033)
Impairment loss on other receivables	**(10,078)**	(19,661)
Impairment loss on property, plant and equipment	**–**	(253,772)
Written down of inventories	**–**	(8,416)
Loss on disposal of property, plant and equipment	**(55)**	–
Gain on disposal of contingent assets	**–**	60,755
	(53,829)	(822,932)

5. SEGMENT INFORMATION

Operating segments has been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and to assessing their performance.

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a)	Mining operation:	— Exploration of mineral mines — Exploitation of molybdenum mines — Trading of mineral resources
(b)	Property leasing operation:	The leasing of commercial premises
(c)	Property management operation:	Provision of management service to commercial premises

The management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Information regarding the above segment is reported below.

5.1 Operating segment information

Segment revenue and results
For the year ended 31 December 2016

			Mining operation		
	Property leasing[2] *HK\$'000*	Property management *HK\$'000*	Mining exploitation[3] *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)**

For the year ended 31 December 2015

			Mining operation		
	Property leasing[2] HK$'000	Property management HK$'000	Mining exploitation[3] HK$'000	Trading of mineral resources HK$'000	Total HK$'000
Revenue					
Segment revenue	–	7,744	238,225	–	245,969
Results[1]					
Segment results	–	66	(784,629)	–	(784,563)
Unallocated corporate income					85,439
Unallocated corporate expenses					(10,822)
Loss before income tax					(709,946)
Income tax					(16)
Loss for the year					(709,962)

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 2016 and 2015 there is no segment result for property leasing operation.

3. For the year ended 31 December 2016, segment results for mining exploitation included amortisation of mining rights of approximately HK$38,101,000 (2015: approximately HK$125,706,000), and reversal of deferred tax liabilities of approximately HK$9,525,000 (2015: approximately HK$125,706,000) and operating expenses which are directly related to the reportable segment.

Segment assets and liabilities

As at 31 December 2016

			Mining operation			
	Property leasing	Property management	Mining exploitation	Trading of mineral resources	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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**
As at 31 December 2015						
Segment assets	–	460	1,288,140	–	3,173,782	4,462,382
Segment liabilities	–	799	781,149	–	5,204	787,152

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

			Mining operation			
	Property leasing	Property management	Mining exploitation	Trading of mineral resources	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2016						
Depreciation and amortisation	**–**	**4**	**57,083**	**4**	**5,481**	**62,572**
Impairment loss recognised during the year	**–**	**–**	**726**	**–**	**9,352**	**10,078**
Capital expenditures	**–**	**4**	**3,983**	**24**	**–**	**4,011**
As at 31 December 2015						
Depreciation and amortisation	–	6	150,077	–	5,835	155,918
Impairment loss recognised during the year	–	–	727,044	–	11,422	738,466
Capital expenditures	–	–	35,854	–	–	35,854

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**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Overseas	**2,997**	–	**–**	–
Hong Kong	**–**	–	**928,326**	1,363,503
The PRC	**253,007**	245,969	**3,750,130**	3,098,879
	256,004	245,969	**4,678,456**	4,462,382

5.3 Information about major customers

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

	2016	2015
	HK$'000	*HK$'000*
Customer A	**N/A[1]**	52,198
Customer B	**76,054**	35,668
Customer C	**N/A[1]**	29,832
Customer D	**25,065**	N/A

Note:

1. The corresponding revenue did not contribute over 10% to the total sales of the Company.

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

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on bank loans and other borrowings wholly repayable within five years	**39,724**	16,949

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2016	2015
	HK$'000	*HK$'000*
Auditors' remuneration	**900**	900
Cost of inventories expensed	**213,608**	219,556
Depreciation of property, plant and equipment	**18,876**	19,113
Staff costs (including directors' remuneration)		
— Wages and salaries	**14,573**	16,213
— Retirement benefits contributions	**750**	889
Striping costs*	**175,336**	–
Operating lease payments in respect of offices premises	**6,382**	2,200

* 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.

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
PRC corporate income tax	**4**	16
Hong Kong Profits Tax	**–**	–
Deferred tax	**(9,525)**	(125,706)
	(9,521)	(125,690)

9. DIVIDENDS

The Directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2016 (2015: 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$324,425,000 (2015: HK$436,220,000) attributable to equity holders of the Company, and weighted average of 19,952,355,030 (2015: 17,497,137,256) 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 2015. 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 2016.

11. INVESTMENT DEPOSITS

As at 31 December 2016, 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 owned 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.

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

Refundable investment deposits of approximately HK$358,252,000 (RMB300,000,000) in respect of a possible acquisition of a potassium mine located in Shangluo City, Luo Nan Xian, Shaanxi Province, the PRC. On 31 August 2015, the Group has terminated the acquisition and the vendor had refunded the investment deposit in the amount of RMB300,000,000 to the Group during the year ended 31 December 2016.

During the year ended 31 December 2015, the Group paid an investment deposit of HK$100,000,000 in relation to the acquisition of 65% equity interest of Shanghai Hua Tun Financial Information Service Company Limited. On 15 December 2015, the Group has terminated the acquisition. During the year ended 31 December 2016, the investment deposits of HK$100,000,000 had been refunded to the Group.

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. OTHER FINANCIAL ASSETS

Analysed as	**2016** *HK$'000*	2015 *HK$'000*
Ding Jin Promissory Note	**–**	571,378
Bai Shan Promissory Note	**300,000**	474,250
	300,000	474,250

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

Ding Jin Promissory Note

During the year ended 31 December 2011, the Group entered into a subscription agreement with Ding Jin, the Issuer, pursuant to which the Group is eligible to subscribe for the promissory notes issued by Ding Jin. The principal amount of the promissory notes was HK$500 million and carried at interest of HK$100 million, payable on the maturity date, which is 5 years from subscription.

Bai Shan Promissory Note

During the year ended 31 December 2013, the Group has disposed 25% equity interest in Rui Sui Kuang Ye Company Limited in return for a promissory note receivable with a face value of HK$500 million. The maturity date is 3 years from the issue date of the promissory notes. During the year ended 31 December 2016, HK$200 million was settled and the remaining balance will be settled within one year.

14. TRADE AND BILL RECEIVABLES

	2016 *HK$'000*	2015 *HK$'000*
Trade and bill receivables	**8,052**	16,318

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

	2016 *HK$'000*	2015 *HK$'000*
0–30 days	**3,583**	9,133
31–60 days	**–**	479
61–90 days	**–**	–
91–180 days	**4,469**	1,927
Over 180 days but within one year	**–**	4,779
	8,052	16,318

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

	2016	2015
	HK$'000	*HK$'000*
31–60 days	**–**	479
61–90 days	**–**	–
91–180 days	**4,469**	1,927
Over 180 days but within one year	**–**	4,779
	4,469	7,185

For the year ended 31 December 2016, 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 (2015: 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.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 31 December 2016, included in balance of prepayments, deposits and other receivables were (i) trading deposits of approximately HK$159,404,000 (2015: Nil) for purchase of molybdenum concentrate; and (ii) loan receivables amounted to approximately HK$206,583,000 (RMB185,000,000) (2015: approximately HK$173,154,000 (RMB145,000,000)) granted to the non-controlling shareholders of Jiu Long Kuang Ye Company Limited ("Jiu Long Kuang Ye"), a principal subsidiary of the Group operating in exploitation of molybdenum mine. The loan receivables were secured by the non-controlling shareholders' respective shareholdings in Jiu Long Kuang Ye, carried at an interest rate of 3% per annum and recoverable in one year.

16. CONVERTIBLE BONDS

Non-current liabilities component:

	2016	2015
	HK$'000	*HK$'000*
Convertible bonds with principal amount of:		
HK$250,000,000 (CB A)	**243,838**	–
HK$98,838,000 (CB B)	**96,633**	–
	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 non-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	243,838	96,633	340,471

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.

17. TRADE AND BILL PAYABLES

	2016	2015
	HK$'000	*HK$'000*
0–30 days	**3,490**	6,699
31–60 days	**694**	396
61–90 days	**971**	103
91–180 days	**388**	1,076
Over 180 days but within one year	**65,056**	68,389
	70,599	76,663

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL FINANCIAL PERFORMANCE

During the year under review, North Mining Shares Company Limited (the "Company") and its subsidiaries (collectively the "Group") recorded a revenue of approximately HK$256,004,000, representing an increase of approximately 4.1 % as compared with 2015 of approximately HK$245,969,000. Revenue attributable to mining business operations, which is the Group's major operation, amounted to approximately HK$248,300,000 (2015: approximately HK$238,200,000), represents an increase of approximately 4.2% of the Group's mining operation revenue for the year ended 31 December 2016.

For the year ended 31 December 2016, the Group recorded a loss attributable to owners of the Company of approximately HK$324,425,000 (2015: loss of approximately HK$436,220,000), representing a decrease of 25.6% 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; and (iii) property leasing operations. There was no change in business segment during the year under review. An analysis of each of these business segments is presented below:

Mining Operations — Exploitation and Trading of Mineral Resources

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

During the year under review, the volume of molybdenum concentrate produced was approximately 1,021 tonnes (2015: 4,097 tonnes). The sales volume of molybdenum concentrate was approximately 4,544 tonnes (2015: 4,876 tonnes). The average selling price of molybdenum concentrate was approximately HK$54,645 per tonne (2015: HK$48,862). During the year under review, the Group's mining operation contributed revenue of approximately HK$248,311,000 (2015: approximately HK$238,200,000) to the Group. The cost of sales was approximately HK$213,608,000 million (2015: approximately HK$218,800,000). Gross profit amounted to approximately HK$34,702,000 million (2015: approximately HK$19,500,000) and the gross profit margin was 14% (2015: 8.2%), representing an increase of 5.8% as compared with last year (2015: decrease 4%). The increase in gross profit margin was mainly due to the increase in average selling price of molybdenum concentrate about HK$48,862 per tonne in 2015 to HK$54,645 per tonne in 2016.

For the purpose of impairment testing, the directors of the Company (the "Directors" or the "Board") hired an independent professional valuation firm to assess the value in use of the Group's mining operation on yearly basis. The basis for assessing the value in use was based on Discount Cash Flow method ("DCF"). In the opinion of the Directors, the adoption of DCF method is the best to reflect the value in use of the Group's mining operation. During the year under review, there was no change in the valuation method used and the Directors have consensus to adopt a consistent valuation methodology and accounting policy in accounting for such mining operation over time given that no fundamental changes in the mining industry and such external environment will occur.

The sources data and inputs of the DCF were mainly comprised of (i) the estimated sales of molybdenum concentrate; and (ii) major operating expenses. The assumptions used in the DCF were mainly related to forecasting the (i) estimated sales volume of molybdenum concentrate based on the corresponding molybdenum production plan; (ii) the average molybdenum price over the past years; (iii) major operating expenses which are determined based on actual daily operating expenditures; (iv) management's best estimate of future cash outflow including changes in working capital and the incremental capital expenditure foreseeable to be incurred. The discount rate of 12% has been used for the DCF projections which was is formulated by the Weighted Average Cost of Capital.

Based on the assessment of the value in use, no impairment loss have been provided in the consolidated financial statements for the year ended 31 December 2016.

In order to enhance the Group's production capacity for producing molybdenum concentrate in future to capture the increase in demand and price if opportunity arises, during the year, the Group incurred stripping costs of approximately HK$175,336,000 to expand additional areas for exploitation of molybdenum concentrate. Furthermore, in view of the Group's existing mining structures were used for number of years and the production efficiency were started to decline and the Group's third production based will commence to operation soon, the Group engaged a mining expertise to commence a full scope review of the Group's existing production module, including but not limited to advise on find-tuning existing production process, upgrade or replacement of mining infrastructure to improve production efficiency and planning for future exploitation of molybdenum concentrate. The costs of approximately HK$72,671,000 were incurred for such professional mining technical consultancy services during the year ended 31 December 2016.

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 2016, revenue generated from this segment was approximately HK$7,693,000 (2015: HK$7,700,000), represents a decrease of approximately 0.1% (2015: 5.5%) as compared to last year.

Property leasing operations

The Group did not have any investment properties held for leasing as at 31 December 2016 (2015: HK$ Nil). In view of the significant fluctuation of property market in the PRC, the Directors will closely monitor the property market and carefully identify the possible investment properties in the future when the property market in the PRC becomes stable.

Other Financial Assets

Details of the financial assets held by the Group are set out below:

Bai Shan Promissory Notes

During the year ended 31 December 2013, the Group disposed of 25% of the entire equity interests in Rui Sui Kuang Ye Mining Company Limited ("Rui Sui") for an aggregate consideration of HK$500,000,000 which was satisfied by a promissory note receivable with a principal value of HK$500,000,000 issued by the purchaser. The maturity date is 3 years from the issue date of the promissory notes. During the year ended 31 December 2016, HK$200,000,000 was settled and the remaining balance will be settled within one year.

Material Acquisition and Disposal

On 29 December 2016, the Company entered into a sale and purchase agreement with Mr. Li Shengli and Ms. Ma Weimin for the acquisition of 65% equity interests in Wealth Pioneer Group Limited (the "Acquisition") at a consideration of HK$900,000,000. The Acquisition was completed on 19 January 2017, the major assets of Wealth Pioneer Group Limited was a 60% equity interests in the potassium feldspar mine located in Shaanxi Province, the PRC.

The Board is of the view that the Acquisition provides a prime opportunity for the Group to enter into the potassium feldspar mineral resources industry and diversify the revenue stream of the Group which is expected to increase the Shareholders' value and benefit the Company and the Shareholders as a whole.

PROSPECTS

While 2016 was a year of challenges for commodities, the price for molybdenum concentrates started to improve by year's end. The price of molybdenum have stabilised into 2017 and we are seeing positive signs from the market. This year the Company will continue to focus on safety, volume and cost, including 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 and proceeds from suitable source of funding. During the year under review, the Group's liquidity position was healthy and recorded a cash inflow of approximately HK$370,641,000 (2015: inflow of approximately HK$123,100,000) which was mainly arising from the Shares Subscription and Convertible Bonds Subscriptions in December 2016.

As at 31 December 2016, the Group had outstanding bank borrowings at the amount of approximately HK$361,167,000 (2015: approximately HK$100,900,000). The Group's gearing ratio as at 31 December 2016 was approximately 7.94% (2015: 3.82%). 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 considered that the gearing ratio remains at low level compared to equity attributable to owners of the Company and that the Group is of good liquidity. As at 31 December 2016, the Group's current ratio was approximately 2.62 (2015: approximately 5.25).

The decrease in current ratio was mainly due to receive the settlement of promissory notes and increase in bank loans and other borrowings during the year under review. As at 31 December 2016, the Group's debt to equity ratio was approximately 0.37 (2015: approximately 0.22). 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$1,252,226,000 (2015: approximately HK$787,100,000) by equity attributable to owners of the Company of approximately HK$3,339,284,000 (2015: approximately HK$3,540,704,000). 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 2016 mainly comprised of current assets of approximately HK$1,674,733,000 (2015: approximately HK$2,546,198,000), current liabilities of approximately HK$638,643,000 (2015: approximately HK$485,351,000) and equity attributable to owners of the Company of approximately HK$3,339,284,000 (2015: approximately HK$3,540,704,000).

Current assets mainly comprised of (i) cash and cash equivalents of approximately HK$596,003,000 (2015: approximately HK$225,362,000); (ii) inventories of approximately HK$413,824,000 (2015: approximately HK$411,032,000); (iii) prepayments, deposits and other receivables of approximately HK$356,854,000 (2015: approximately HK$374,381,000); and (iv) no investment deposits as current assets as at 31 December 2016 (2015: approximately HK$458,252,000).

Current liabilities mainly comprised of (i) borrowings of approximately HK$361,167,000 (2015: approximately HK$100,908,000); (ii) trade payables of approximately HK$70,599,000 (2015: approximately HK$76,663,000); (iii) accruals and other payables of approximately HK$95,677,000 (2015: approximately HK$188,117,000).

Issued Convertible Bonds

The Company issued the 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.

The Company issued the 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.

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.

Treasury Policies

During the year ended 31 December 2016, 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 2016 and 2015, 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 2016, the Group had bank and other borrowings amounted to approximately HK$361,167,000 (2015: HK$100,908,000). As at 31 December 2016, the Group's interest bearing bank loans were carried at effective interest rates from 10.8% to 12% per annum and were secured by (i) guarantees from a subsidiary of the Group and the subsidiary's minority shareholders; and (ii) guarantee from the ultimate control party.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no significant contingent liabilities (2015: Nil).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2016, the Group employed 772 full time employees (2015: 820 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 2016 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 2016. 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 2016.

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 2016, 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. Gao Yuan Xing resigned as the Chairman of the Board and executive Director on 4 January 2016 due to his other business engagement which requires more of his attention. Mr. Yang Ying Min ("Mr. Yang"), the Chief Executive Officer of the Company has been appointed as the Chairman with effect from 4 January 2016.

   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 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 the Board. The Policy provides a sustainable and balanced development in the Company's strategic objectives. The Board reviews the Policy annually and ensures 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, Dr. Cheng Chak Ho was absent from the 2016 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 2016.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely. Mr. William Fong, Mr. Leung Kar Fai and 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 2016.

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 2016 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, 29 March 2017

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