

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to the accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



NORTH MINING SHARES COMPANY LIMITED

北方礦業股份有限公司

(Incorporated in the Bermuda with limited liability)

(Stock Code: 433)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 65% OF THE ENTIRE ISSUED SHARE CAPITAL OF WEALTH PIONEER GROUP LIMITED

THE AGREEMENT

The Board is pleased to announce that on 29 December 2016 (after trading hours), the Company, as purchaser, entered into the Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the Sale Shares, representing an aggregate of 65% of the entire issued share capital of the Target Company, at the Consideration of HK\$900 million, which will be satisfied by cash and the issuance of the Promissory Notes.

The principal asset of the Target Group is 60% equity interest in the Potassium Feldspar Mine. The Potassium Feldspar Mine is located in Shangluo City, Luonan County, Shaanxi Province, the PRC.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion is subject to the fulfillment (or waiver) of the conditions precedent set out in the Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

INTRODUCTION

Reference is made to the announcement of the Company dated 1 December 2016 whereby it was announced that the Company entered into a letter of intent dated 1 December 2016 with the Vendors in relation to the potential acquisition of certain controlling interest of the Target Company by the Company.

THE AGREEMENT

The Board is pleased to announce that on 29 December 2016 (after trading hours), the Company, as purchaser, entered into the Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the Sale Shares, representing an aggregate of 65% of the entire issued share capital of the Target Company, at the Consideration of HK\$900 million, which will be satisfied by cash and the issuance of the Promissory Notes.

The principal terms of the Agreement are as follows:

Date

29 December 2016

Parties

- (i) Mr. Li Shengli and Ms. Ma Weimin, as vendors; and
- (ii) the Company, as purchaser.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors are Independent Third Parties.

Assets to be acquired

The Sale Shares, representing an aggregate of 65% of the entire issued share capital of the Target Company, of which 32% and 33% is acquired from Vendor A and Vendor B, respectively.

Consideration

The Consideration is HK\$900 million and shall be payable by the Company to the Vendors in the following manner:

- (a) payment of HK\$196.92 million and HK\$203.08 million (the "**Cash Consideration**") to Vendor A and Vendor B respectively in cash upon Completion to the respective bank accounts as Vendor A and Vendor B may designate by written notice to the Purchaser not less than two (2) Business Days before Completion or settled in such other manner as the parties to the Agreement may agree; and

- (b) issuance by the Purchaser of a Promissory Note with a principal sum of HK\$246.15 million in favour of Vendor A (or his nominee) and a Promissory Note with a principal sum of HK\$253.85 million in favour of Vendor B (or her nominee) on terms set out in the subsection headed “The Promissory Notes” below upon Completion.

It is expected that the Cash Consideration will be financed by internal resources of the Group.

The Consideration was determined after arm’s length negotiations between the Company and the Vendors with reference to, among others, (i) the in-pit indicated and inferred mineral resource estimates for the Potassium Feldspar Mine of 63,186,000 tonnes and 40,490,000 tonnes respectively according to a technical report from an international mining technical advisory firm and (ii) the historical average selling price of potassium feldspar of approximately RMB635 per ton based on the historical sale records of the Mining Company.

Conditions precedent

Completion is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

- (a) the Purchaser having obtained all required consents and approvals (if any, including but not limited to its board) to enter into the Agreement and the transactions contemplated thereunder;
- (b) the results of legal and financial due diligence, including but not limited to the asset, business and financial position of the Target Group are satisfactory to the Purchaser or its representatives in its sole and absolute discretion;
- (c) the Vendors having obtained all approvals or consents in respect of the Agreement and all transactions contemplated thereunder under applicable laws and regulations and third party consent from the relevant authorities having jurisdiction over the Vendors and the relevant third parties;
- (d) no Material Adverse Change having occurred; and
- (e) there having been no material breach of the representations and warranties or their respective undertakings by the Vendors.

The Vendors shall use their best commercial efforts in procuring the fulfilment of the conditions precedent set out above. The Purchaser may at any time waive in whole or in part and conditionally or unconditionally any of the above conditions precedent by notice in writing to the Vendors.

If all the above conditions have not been fulfilled or waived (as the case may be) on or before the Long Stop Date, the Agreement shall lapse save for some surviving provisions such as confidentiality and governing law and each party to the Agreement shall have no liability to the other party save and except for any antecedent breaches of the terms thereof.

Completion

Completion shall take place on the Completion Date.

The Promissory Notes

The principal terms of the Promissory Notes are summarised as follows:

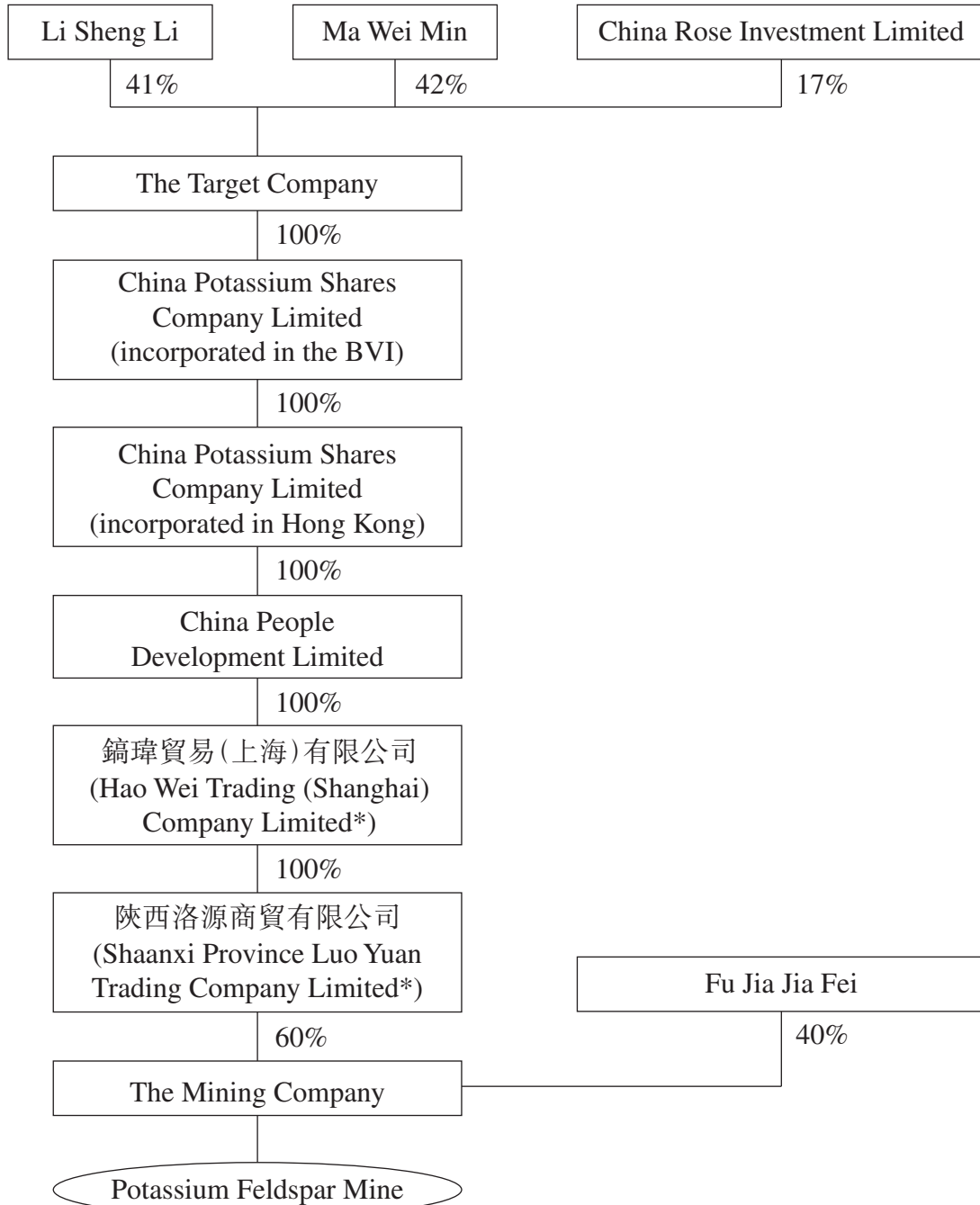
Issuer	:	The Company
Noteholder(s)	:	The Vendors
Principal amount	:	an aggregate of HK\$500 million
Maturity date	:	the day falling on the third anniversary of the date of issue of the Promissory Notes (the “ Maturity Date ”)
Interest	:	1% per annum, payable annually
Repayment	:	All outstanding principal not prepaid together with the interest accrued thereon shall be repaid in full to the Vendors on the Maturity Date
Transferability	:	The Promissory Notes will be freely transferable without the prior consent to the Company
Early Redemption	:	The Promissory Notes may be prepaid in part or in full at any time before maturity at the discretion of the Company by giving the Vendors prior written notice and specifying in the notice the proposed date of prepayment and the prepayment amount

INFORMATION ON THE TARGET GROUP

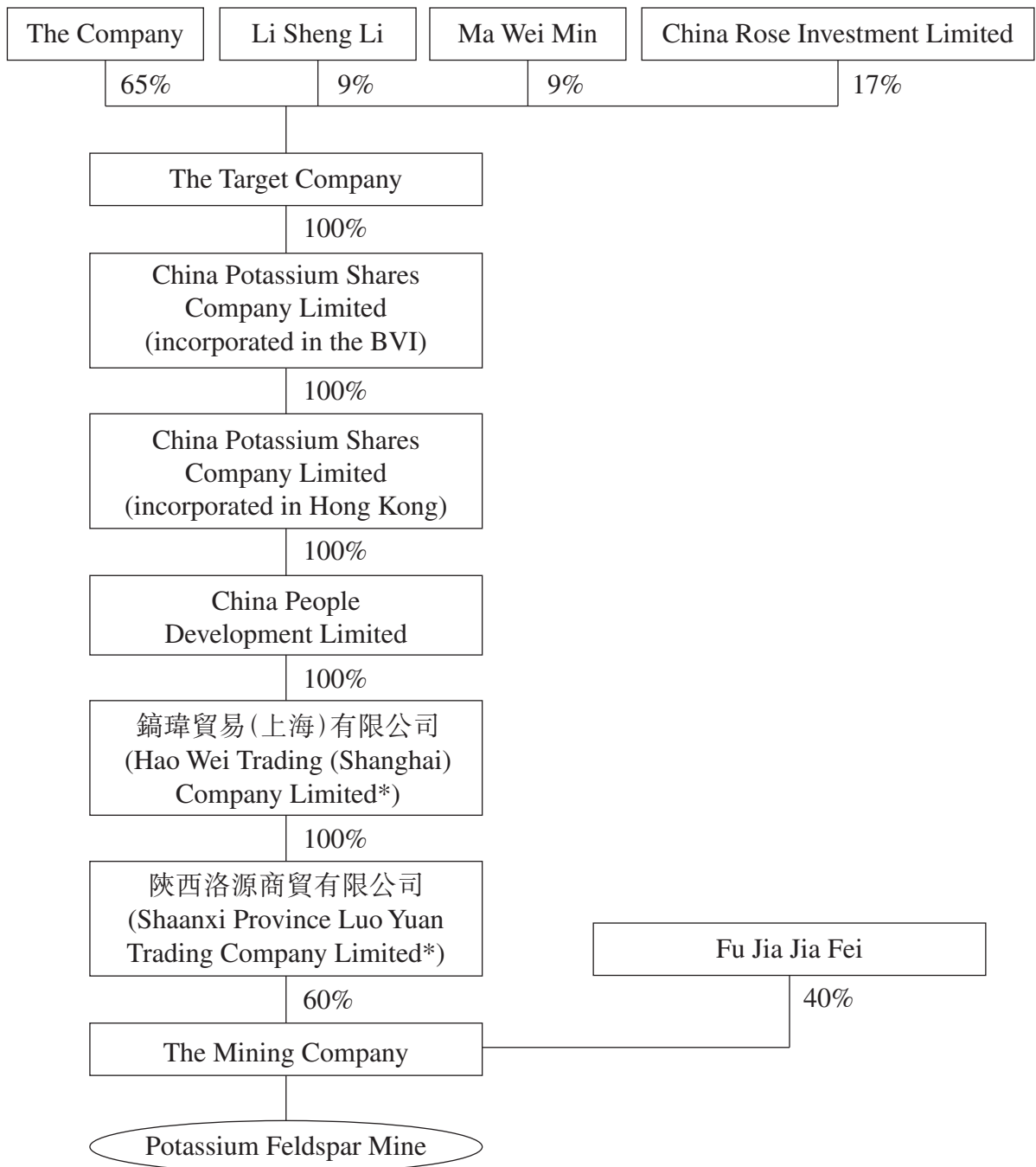
Shareholding structure of the Target Group

Set out below is the shareholding structure of the Target Group (i) as at the date of this announcement; and (ii) upon Completion:

(i) *As at the date of this announcement*



(ii) Upon Completion



The Target Company is a company incorporated in the BVI with limited liability and with an authorized share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1.0 each, of which 100 ordinary shares have been issued and fully paid. Its principal activity is investment holding. As at the date of this announcement, Vendor A, Vendor B and China Rose Investment Limited holds 41%, 42% and 17% of the total issued share capital of the Target Company, respectively. China Rose Investment Limited is a wholly-owned subsidiary of China Huarong International Holdings Limited. As at the date of this announcement, China Huarong International Holdings Limited is a substantial shareholder of the Company.

For each of the member of the Target Group, except for the Mining Company, (i) its principal activity is investment holding and (ii) it has no material assets and liabilities nor recorded any revenue and profit since its incorporation.

The Mining Company is a company established in the PRC with limited liability. As at the date of this announcement, it has a registered capital of RMB3,000,000. The Mining Company is owned as to 60% and 40% by 陝西洛源商貿有限公司 (Shaanxi Province Luo Yuan Trading Company Limited*) and 陝西富鉀鉀肥有限公司 (Shaanxi Province Fu Jia Jia Fei Company Limited*) (“**Fu Jia Jia Fei**”) respectively. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, Fu Jia Jia Fei and its ultimate beneficial owner(s) are Independent Third Parties.

The principal asset of the Mining Company is the Potassium Feldspar Mine. The Potassium Feldspar Mine is located in Shangluo City, Luonan County, Shaanxi Province, the PRC. The in-pit indicated and inferred mineral resource estimates for the Potassium Feldspar Mine were 63,186,000 tonnes and 40,490,000 tonnes respectively according to a technical report from an international mining technical advisory firm.

Financial information on the Mining Company

Set out below is a summary of the financial information of the Mining Company for the two financial years ended 31 December 2014 and 31 December 2015, prepared in accordance with the PRC Generally Accepted Accounting Principles:

	For the year ended	
	31 December	
	2014	2015
	(unaudited)	(unaudited)
	<i>Approximate</i>	<i>Approximate</i>
	<i>RMB</i>	<i>RMB</i>
Net profit/(loss) before taxation and extraordinary items	11,619	(180,603)
Net profit/(loss) after taxation and extraordinary items	(3,131)	(180,603)

The unaudited net asset value of the Mining Company as at 31 October 2016 was approximately RMB87,955,742 (equivalent to approximately HK\$98,510,431).

Upon Completion, the Target Company will become a non-wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

REASONS FOR THE ACQUISITION

The Group is principally engaged in exploitation, exploration and trading of mineral resources and property management operations. The Company actively explores the investment opportunity to expand its mineral resources in order to broadening the income base of the Group, and thereby enhancing the Group’s future financial performance and profitability.

The Mining Company is the only entity that was authorized by the government to integrate the potassium feldspar mineral resources in Luonan County. According to No. 12 and No. 33 governmental document 2014 issued by Luonan County, the mining project is regarded as one of the major projects to be developed in Shaanxi Province.

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.

Taking into consideration of the above, the Board considers that the terms of the Acquisition are fair and reasonable and the entering into the Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion is subject to the fulfillment (or waiver) of the conditions precedent set out in the Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

“Acquisition”	the proposed acquisition of the Sale Shares by the Company from the Vendors pursuant to the Agreement
“Agreement”	the conditional sale and purchase agreement dated 29 December 2016 entered into between the Purchaser and the Vendors in relation to the Acquisition
“Board”	the board of Directors
“Business Day(s)”	any day (excluding a Saturday or Sunday) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“Company” or “Purchaser”	North Mining Shares Company Limited, a company incorporated in the Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement

“Completion Date”	within five(5) Business Days after the fulfillment or waiver of the conditions under the Agreement (or such other date as the Company and the Vendors may agree in writing)
“Consideration”	HK\$900 million, being the total consideration for the Acquisition pursuant to the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party(ies) independent of and not connected with the Company and its connected persons
“km ² ”	square kilometer(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	1 February 2017 (or such later date as the Company and the Vendors may agree in writing)
“Material Adverse Change”	means any material adverse change in the business, operations, assets, profits or prospects of the Target Group, taken as a whole, excluding in any such case, any event, circumstances or change resulting from: <ul style="list-style-type: none"> (a) changes in stock markets, interest rates, exchange rates, commodity prices or other general economic conditions, or (b) changes in conditions generally affecting the mining industry in the PRC, changes in laws, regulations or required accounting policy or practices
“Mining Company”	洛南縣大秦鉀礦有限公司 (Luo Nan Xian Da Qin Jia Mining Company Limited*), a limited liability company established in the PRC
“Promissory Notes”	the promissory notes in the aggregated principal amount of HK\$500 million at the interest rate of 1% per annum to be issued by the Company to the Vendors (or their respective nominee(s)) pursuant to the Agreement

“Potassium Feldspar Mine”	a potassium feldspar mine extending approximately 10.84km ² located in Shangluo City, Luo Nan Xian, Shaanxi Province, the PRC
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“Sale Shares”	an aggregate of 65% of the entire issued share capital of the Target Company to be acquired by the Purchaser from the Vendors
“Share(s)”	ordinary shares of HK\$0.016 each in the share capital of the Company
“Shareholders”	the holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	WEALTH PIONEER GROUP LIMITED, a limited liability company incorporated in the BVI
“Target Group”	the Target Company and its subsidiaries, including the Mining Company
“Vendor A”	李勝利 (Mr. Li Shengli)
“Vendor B”	馬衛敏 (Ms. Ma Weimin)
“Vendors”	collectively Vendor A and Vendor B
“%”	per cent.

For the purpose of this announcement, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.12. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

By order of the Board
North Mining Shares Company Limited
Yang Ying Min
Chairman

Hong Kong, 29 December 2016

As at the date of this announcement, the Board 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.

* *For identification purposes only*