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NORTH MINING SHARES COMPANY LIMITED

北方礦業股份有限公司

(In Liquidation)

(Incorporated in Bermuda with limited liability)

(Stock Code: 433)

**ANNOUNCEMENT OF AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

This announcement is made by North Mining Shares Company Limited (In Liquidation) (the “**Company**”, together with its subsidiaries, the “**Group**”) to announce the audited results of the Group for the year ended 31 December 2021 (the “**Annual Results**”).

**AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2021

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i> (Re-presented)
Continuing operations			
Revenue	3	1,350,367	650,915
Cost of sales		<u>(1,204,431)</u>	<u>(579,842)</u>
Gross profit		145,936	71,073
Other income		3,943	42,268
Research and development cost		(36,626)	(15,068)
Impairment losses under expected credit loss, net of reversal		2,333	(1,189,370)
Written off of mining rights		–	(1,771,832)
Impairment losses of right of use asset		–	(2,324)
Written off of property, plant and equipment		–	(253,938)
Other gains and losses		(111,989)	73,276
Administrative expenses		<u>(162,490)</u>	<u>(132,561)</u>
Loss from operations		(158,893)	(3,178,476)
Finance costs		<u>(301,194)</u>	<u>(323,098)</u>
Loss before income tax	5	(460,087)	(3,501,574)
Taxation	6	<u>(9)</u>	<u>(179)</u>
Loss for the year from continuing operations		<u>(460,096)</u>	<u>(3,501,753)</u>
Discontinued operations			
Gain/(Loss) for the year from discontinued operations		<u>3,339</u>	<u>(861)</u>
Loss for the year		<u>(456,757)</u>	<u>(3,502,614)</u>
Other comprehensive loss (Net of tax effect):			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign subsidiaries		(4,077)	(3,796)
Release of exchange difference upon disposal of foreign subsidiaries		<u>4,981</u>	<u>(390)</u>
Other comprehensive income/(expense) for the year		<u>904</u>	<u>(4,186)</u>
Total comprehensive expenses for the year		<u><u>(455,853)</u></u>	<u><u>(3,506,800)</u></u>

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i> (Re-presented)
Profit/(Loss) for the year attributable to owners of the Company			
from continuing operations		(359,902)	(2,604,908)
from discontinued operations		2,170	(676)
		<u>(357,732)</u>	<u>(2,605,584)</u>
Profit/(Loss) for the year attributable to non-controlling interests			
from continuing operations		(100,194)	(896,845)
from discontinued operations		1,169	(185)
		<u>(99,025)</u>	<u>(897,030)</u>
Loss for the year		<u>(456,757)</u>	<u>(3,502,614)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(340,385)	(2,584,472)
Non-controlling interests		(115,468)	(922,328)
		<u>(455,853)</u>	<u>(3,506,800)</u>
Loss per share			
From continuing and discontinued operations			
— Basic and diluted, HK cents	8	<u>(1.53)</u>	<u>(11.71)</u>
From continuing operations			
— Basic and diluted, HK cents	8	<u>(1.54)</u>	<u>(11.71)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
ASSETS			
Non-Current assets			
Property, plant and equipment		662,835	622,214
Mining rights		926,430	899,229
Goodwill		13,403	13,403
Right-of-use assets		54,119	59,339
		1,656,787	1,594,185
Current assets			
Inventories		236,893	276,383
Trade and bill receivables	9	17,386	15,003
Prepayments, deposits and other receivables		185,358	153,456
Cash and cash equivalents		20,733	15,763
		460,370	460,605
TOTAL ASSETS		2,117,157	2,054,790
CAPITAL AND RESERVES			
Share capital		373,926	373,926
Reserves		(1,514,658)	(1,174,273)
Equity attributable to owners of the Company		(1,140,732)	(800,347)
Non-controlling interests		(128,116)	(12,648)
TOTAL EQUITY		(1,268,848)	(812,995)

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LIABILITIES			
Non-Current liabilities			
Bank loans and other borrowings		11,012	206,648
Lease liabilities		8,502	8,457
Deferred tax liabilities		257,945	250,371
Other payables		17,510	11,146
		<u>294,969</u>	<u>476,622</u>
Current liabilities			
Trade and bill payables	<i>10</i>	273,541	201,598
Other payables and accruals		891,361	583,782
Contract liabilities		44,049	25,478
Bank loans and other borrowings		1,388,375	1,235,068
Provision for environmental and resources tax		105,428	–
Lease liabilities		227	315
Corporate bond		388,048	344,733
Tax payables		7	189
		<u>3,091,036</u>	<u>2,391,163</u>
TOTAL LIABILITIES		<u>3,386,005</u>	<u>2,867,785</u>
TOTAL EQUITY AND LIABILITIES		<u>2,117,157</u>	<u>2,054,790</u>
NET CURRENT LIABILITIES		<u>(2,630,666)</u>	<u>(1,930,558)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(973,879)</u>	<u>(336,373)</u>
NET LIABILITIES		<u>(1,268,848)</u>	<u>(812,995)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

The Company was incorporated in Bermuda on 10 April 1995 under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability. The shares of the Company (the “Shares”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at Room 702, 7/F, Wellborne Commercial Centre, 8 Java Road, North Point, Hong Kong.

The principal activities of the Group are (i) investment holdings; (ii) mining operations — exploitation and exploration of mineral resources; and (iii) chemical trading operations.

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

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 Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The consolidated financial statements have been prepared in accordance with HKFRSs under the historical cost convention. In addition, the consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

2.2 Going concern

As at 31 December 2021, the Group had shareholders' deficit of approximately HK\$1,268,848,000 and its current liabilities exceed its current assets by approximately HK\$2,630,666,000. Further, the continuity of the Group's operation is dependent upon (i) the success of the debts restructuring exercise to be carried out which involve the conversion of borrowing and corporate bond into the shares of the Company; (ii) the withdrawal or dismissal of the winding-up petition against the Company; and (iii) the Group was able to solicit new funding for their operation. These conditions indicate the existence of material uncertainties which may cast significant doubt upon the Group's ability to continue as a going concern.

In preparing the consolidated financial statements, the directors have careful consideration to the further liquidity of the Group in light of the conditions described above.

The directors of the Company and the Joint and Several Liquidators have been undertaking a number of measures to improve the Group's liquidity and financial position and to meet its liabilities as and when they fall due. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the eventual successful outcome of these measures, which are subject to multiple uncertainties, including whether: (a) the debt restructuring scheme will eventually be formulated by the Company and supported by creditors; (b) the Group can successfully complete the Share Subscription and the application for the drawing down of money under the Credit Facility Agreement; and (c) the Group can successfully implement its cost control measures and improve its business operations.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's 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 adjustments have not been reflected in the Group's consolidated financial statements.

3. REVENUE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Sales of molybdenum concentrate	179,534	165,166
Sales of chemical products	<u>1,170,833</u>	<u>485,749</u>
	<u><u>1,350,367</u></u>	<u><u>650,915</u></u>

4. SEGMENT INFORMATION

Operating segments have been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”) 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) Chemical trading operation: Manufacturing and sale of chemical products

* During the year ended 31 December 2021, the Group disposed a non-fully owned subsidiary, Shaanxi Jiulong Import and Export Trading Company Limited which engaged in trading of mineral resources to commercial premises in PRC. Accordingly, the Group’s trading of mineral resources operation was treated as discontinued operation. The segment information reported below does not include any amounts for the discontinued operation.

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.

4.1 Operating segment information

Segment revenue and results

For the year ended 31 December 2021

Continuing operations

	Mining exploitation <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
Segment revenue	<u>179,534</u>	<u>1,170,833</u>	<u>1,350,367</u>
Results			
Segment results	<u>(138,846)</u>	<u>4,669</u>	<u>(134,177)</u>
Unallocated corporate income			41
Finance costs			(301,194)
Other gains or losses			(8,197)
Impairment losses under expected credit loss model, net of reversal			2,333
Unallocated corporate expenses			<u>(18,893)</u>
Loss before income tax			(460,087)
Income tax			<u>(9)</u>
Loss for the year from continuing operations			<u>(460,096)</u>

For the year ended 31 December 2020 (Re-presented)

Continuing operations

	Mining exploitation <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
Segment revenue	<u>165,166</u>	<u>485,749</u>	<u>650,915</u>
Results			
Segment results	<u>(73,262)</u>	<u>(11,818)</u>	<u>(85,080)</u>
Unallocated corporate income			39,510
Finance costs			(323,098)
Other gains or losses			112,009
Written off of mining right			(1,771,832)
Written off of property, plant and equipment			(253,938)
Impairment losses under expected credit loss model, net of reversal			(1,189,370)
Impairment losses of right of use assets			(2,324)
Unallocated corporate expenses			<u>(27,451)</u>
Loss before income tax			(3,501,574)
Income tax			<u>(179)</u>
Loss for the year from continuing operations			<u><u>(3,501,753)</u></u>

- (a) Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment result represents the profit earned by each segment without allocation of corporate income and expenses, some amount of other gains or losses, impairment loss under expected credit loss model (net of reversal), central administrative expenses, directors' salaries and finance costs. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

	Mining exploitation <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>	
As at 31 December 2021					
Segment assets	<u>1,599,883</u>	<u>466,305</u>	<u>50,969</u>	<u>2,117,157</u>	
Segment liabilities	<u>1,147,401</u>	<u>794,215</u>	<u>1,444,389</u>	<u>3,386,005</u>	
	Mining exploitation <i>HK\$'000</i>	Trading of mineral resources <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2020					
Segment assets	<u>1,592,674</u>	<u>183</u>	<u>406,075</u>	<u>55,858</u>	<u>2,054,790</u>
Segment liabilities	<u>857,504</u>	<u>506</u>	<u>676,218</u>	<u>1,332,082</u>	<u>2,866,310</u>

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

	<u>Continuing operation</u>			
	Mining	Trading of	Unallocated	Total
	exploitation	chemical		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December 2021				
Depreciation and amortisation	17,551	38,551	5,625	61,727
Capital expenditures	<u>76,561</u>	<u>1,146</u>	<u>-</u>	<u>77,707</u>
As at 31 December 2020 (re-presented)				
Depreciation and amortisation	17,139	36,003	9,126	62,268
Capital expenditures	<u>101,243</u>	<u>7,477</u>	<u>10</u>	<u>108,730</u>

4.2 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		Segment assets	
	External customers			
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	–	–	102	181
The People's Republic of China (the "PRC" or "China")	<u>1,350,367</u>	<u>650,915</u>	<u>2,117,055</u>	<u>2,054,609</u>
	<u>1,350,367</u>	<u>650,915</u>	<u>2,117,157</u>	<u>2,054,790</u>

Information about major customers

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	<u>N/A</u>	<u>N/A</u>

5. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Re-presented)
Continuing operations		
Auditors' remuneration	1,320	1,320
Cost of inventories recognised as an expense	1,204,431	579,842
Depreciation of property, plant and equipment	54,823	52,728
Depreciation of right-of-use assets	6,904	9,540
Provision for environmental and resources tax ^(Note)	103,792	38,733
Staff costs (including directors' remuneration)		
— Wages and salaries	52,520	40,530
— Retirement benefits contributions	8,872	4,257
Operating lease payments in respect of offices premises	—	149
	<u> </u>	<u> </u>

Note: The amount is for renewal of mining licence.

6. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Current tax:		
— PRC corporate income tax	9	179
Deferred tax	—	—
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

Hong Kong profits tax is calculated at 16.5% (2020: 16.5%) on the estimated assessable profit for the year ended 31 December 2021. No provision for Hong Kong Profits Tax has been made since the Group incurred taxation losses for the year ended 31 December 2021.

On 21 March, 2018, the Inland Revenue (Amendment) (No.7) Bill 2017, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

PRC corporate income tax charge represents the PRC Enterprise Income Tax paid or payable during the year. Enterprise Income Tax in PRC has been provided at the prevailing rate.

Taxes on profits assessable elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

7. DIVIDENDS

The Directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2021 (2020: Nil).

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> <i>(Re-presented)</i>
Profit/(Loss) attributable to owners of the Company		
— from continuing operations	(359,902)	(2,604,908)
— from discontinued operations	2,170	(676)
	<u>(357,732)</u>	<u>(2,605,584)</u>
Number of shares		
Number of ordinary shares in issue during the year	<u>23,370,386</u>	<u>22,255,660</u>

(b) Diluted loss per share

No diluted loss per share is presented as there were no potential ordinary shares in issue for the year ended 31 December 2021 (2020: Nil).

9. TRADE AND BILL RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and bill receivables	18,537	16,101
<i>Less:</i> Allowance for credit losses	<u>(1,151)</u>	<u>(1,098)</u>
	<u>17,386</u>	<u>15,003</u>

As at 31 December 2021 and 2020, trade receivables from contracts with customers amounted to HK\$18,537,000 and HK\$16,101,000, respectively.

As at 31 December 2021, allowance for credit losses was recognised approximately of HK\$1,151,000 (2020: HK\$1,098,000). The range of expected loss rate is from 37.05% to 81.73%.

The following is an aged analysis of trade receivables presented based on dates of delivery of goods and service rendered.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	6,604	14,051
31–60 days	7,105	238
61–90 days	2,166	–
91–180 days	–	–
Over 180 days but within one year	<u>1,511</u>	<u>714</u>
	<u>17,386</u>	<u>15,003</u>

For the year ended 31 December 2021, 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 (2020: 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.

10. TRADE AND BILL PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	8,521	11,755
31–60 days	4,997	26,388
61–90 days	12,583	25,014
91–180 days	189,490	43,961
Over 180 days but within one year	<u>57,950</u>	<u>94,480</u>
	<u>273,541</u>	<u>201,598</u>

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

INDEPENDENT AUDITOR’S OPINION

The auditor will issue a qualified report in the independent auditor’s report on the consolidated financial statement of the Group for the year ended 31 December 2021. The detail of which are extracted as follows,

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated 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 (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

Prior year’s audit scope limitation affecting opening balance of comparative figures for the Group’s certain receivables. The auditor’s report on the consolidated financial statements of the Group for the year ended 31 December 2020 (“**2020 Financial Statements**”) contained a disclaimer opinion on the limitation of audit scope in relation to the Group’s certain receivables. Details of which had been set out in the auditor’s report dated 19 December 2022. As the 2020 Financial Statements formed the basis for the comparative figures presented in the current year’s consolidated financial statements, any adjustments found to be necessary in respect of the on the Group’s certain receivables would have a significant effect on the results of the year ended 31 December 2020 and the related disclosures thereof for the comparative figures for the year ended 31 December 2021.

Material Uncertainty Related to Going Concern

We draw attention to note 2.2 the consolidated financial statements, as at 31 December 2021, the Group had net shareholder’s deficit of approximately HK\$1,268,848,000 and its current liabilities of approximately HK\$2,630,666,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. The directors of the Company are considering a number of financing measures as set forth in note 2.2 to improve the Group’s liquidity and financial position and consider that the Group will have sufficient working capital to finance its operations and to fulfil its financial obligations as and when they fall due in the foreseeable future upon successfully implementing these measures. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL FINANCIAL PERFORMANCE

During the year ended 31 December 2021, the Group recorded a revenue of approximately HK\$1,350,367,000 from continuing operations, representing an increase of approximately 107.46% as compared with last corresponding year of approximately HK\$650,915,000 from continuing operations. Such increase was mainly attribute to due to the increase in revenue from the Group's mining operation and chemical trading operation as compared to last corresponding year.

For the year ended 31 December 2021, the Group recorded a loss attributable to owners of the Company of approximately HK\$359,902,000 from continuing operations (2020: loss of approximately HK\$2,604,908,000 from continuing operations), representing a decrease in loss of approximately 86.17% as compared with last corresponding year. Such decrease in loss for the year ended 31 December 2021 was mainly due to no impairment nor written-off of the Group assets and increase in revenue of the Group.

BUSINESS REVIEW

The principal activities of the Group are: (i) mining operations — exploitation and exploration of mineral resources; and (ii) chemical trading operations — manufacturing and sale of chemical products (collectively named “**continuing operations**”). During the year ended 31 December 2021, trading of mineral resources operation was discontinued (“**discontinued operations**”). An analysis of each of these business segments is presented below:

Continuing operations

Mining Operations — Exploitation and Exploration of Mineral Resources

As at 31 December 2021, the Group has two mineral mines within its Mining Operation, namely (i) Molybdenum Mine; and (ii) Potassium Feldspar Mine.

Molybdenum Mine

The Group's mining operation mainly includes the exploitation, exploration 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 ended 31 December 2021, no molybdenum concentrate was produced (2020: Nil) due to the expired of the exploitation licenses of the Mining Right, whereas the grade of molybdenum concentrate was approximately 45%-50%. However, Jiu Long Kuang Ye still can sell the existing molybdenum concentrate products which were stored in inventory. The average selling price of molybdenum concentrate was approximately HK\$81,977 per tonne (2020: approximately HK\$58,431 per tonne). During the year ended 31 December 2021, the mining operation contributed a revenue of approximately HK\$179,534,000 (2020: approximately HK\$165,166,000) to the Group, of which approximately HK\$143,471,000 was contributed by sales of molybdenum concentrate (2020: approximately HK\$140,970,000) and approximately HK\$36,063,000 was contributed by sales of sulfuric acid and iron concentrate (2020: approximately HK\$24,196,000). Gross profit was approximately HK\$58,325,000 (2020: HK\$20,446,000) and the gross profit margin was 32.49% (2020: 12.38%), representing a increase of 20.11% as compared with last corresponding year. The increase in gross profit margin was mainly due to the increase of selling price of molybdenum concentrate per tonne. During the year, the Group did not recognise an amortisation of mining rights cost due to no exploitation of mine (2020: Nil).

Potassium Feldspar Mine

The Group's potassium feldspar mine is located in Shaanxi Province, the PRC with in pit indicated and inferred mineral resource estimates of potassium feldspar resources of approximately 63.2 million tonnes and approximately 40.5 million tonnes, respectively. The estimated resources were estimated by the technical report issued by an international mining expert appointed by the Group. During the year ended 31 December 2021, no revenue was generated by the potassium feldspar mine.

Performance of mining operation

The operation of Jiu Long Kuang Ye has been hindered due to the financial difficulty of the Group and the expiry of the mining licence of the molybdenum mine. However, Jiu Long Kuang Ye has been spending strenuous effort in renewing the relevant mining licence, and the relevant governmental department has also confirmed in April 2022 that all outstanding fees as well as information required for the renewal of the mining licence has already been paid/provided by Jiu Long Kuang Ye.

Reference is made to the announcement dated 10 February 2023, the mining licence has been successfully renewed and the renewed licence, which is valid up to 22 February 2034, has been granted by the Ministry of Natural Resources of the PRC and issued to the Company on 10 February 2023. The mining licence is the major licence required for the Group to conduct its mining activities of its molybdenum mine.

According to the management of Jiu Long Kuang Ye, it was understood that there has been no material change for the relevant regulations and standards required for the relevant operation of Jiu Long Kuang Ye and therefore the mine and factories of Jiu Long Kuang Ye could readily resume its operation once the relevant licences are renewed. Moreover, despite the halt in mining activities, in the recent years the Group has still been able to conduct processing of mined ore in stock into molybdenum concentrate for sales to the customers.

Major assets in mining operation

As at 31 December 2021, the major assets included in the Group's mining operation were mining rights and property, plant and equipment associated with the Group's molybdenum mine of approximately HK\$1,408,810,000. At the end of the reporting period, the Group carried out impairment assessment to assess whether the recoverable amounts of the assets were below the carrying amount.

No impairment was recognised as at 31 December 2021 (2020: Nil).

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, a non-wholly owned subsidiary of the Company. During the year ended 31 December 2021, the Group's revenue generated from chemical trading operation was approximately HK\$1,170,833,000 and the segment profit was approximately HK\$4,669,000. The profit was mainly due to the increase in revenue for the year ended 31 December 2021.

As at 31 December 2021, the major assets included in the Group's chemical trading operation were property, plant and equipment of approximately HK\$180,449,000. At the end of the reporting period, the Group carried out impairment assessment to assess whether the recoverable amounts of the assets were below the carrying amount.

No impairment loss was recognised as at 31 December 2021 (2020: Nil).

Discontinued operations

The Company had disposed a non-fully owned subsidiary which engaged in trading of mineral resources business entirely, which had always been a minor business segment of the Group, in April 2021.

PROSPECTS

Looking forward, the growth of global economy is subject to high uncertainties and challenges mainly from the Sino-US trade disputes and the outbreak and rapid spreading of COVID-19 across continents as well as other negative factors such as rising costs in raw materials, rent and labour. The Chinese economy would face significant downward pressure due to the threat of the novel coronavirus infection, weakened private domestic consumption and sharp drop in tourists' arrivals into China. However, the Group believes that the threat of the novel coronavirus infection and severe disruptions to economic activities, includes the consumption- and tourism-related sectors, should only be temporary in China. The Group remain confident in long-term development growth with promising prospects in China.

Molybdenum market

The operation environment of China's steel industry is the key factor that affects the development of the country's molybdenum market. As required by China's environmental protection policy and supply-side reform policy, steel factories have no alternative but to transform and shift to produce high quality special steel. Meanwhile, the normalization of fall/winter production restriction will further accelerate the enhancement and reconstruction of the steel industry, there are still ample room to increase the production of stainless steel and high strength steel. All the factors stated above will further drive up the demand for molybdenum, and it was expected that the demand for molybdenum in China will keep increasing. It was expected that the molybdenum market would continue to improve in 2022.

The Group will make every endeavor to keep abreast of the changing market conditions, to 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 appropriate. Moreover, the Group is seeking for further operating efficiency for its business. We are confident in the future prospect and committed to the 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 ended 31 December 2021, the Group recorded a cash inflow of approximately HK\$3,360,000 (2020: approximately HK\$1,935,000) which was mainly due to increase in cash inflow from operating activities during the year ended 31 December 2021. As at 31 December 2021, the Group had outstanding bank loans and other borrowings at the amount of approximately HK\$1,399,387,000 (2020: approximately HK\$1,441,716,000).

As at 31 December 2021, the Group's current ratio was approximately 0.15 (2020: approximately 0.19). The decrease in current ratio was mainly due to provision for environmental and resource tax of approximately HK\$105,428,000 during the year ended 31 December 2021.

As at 31 December 2021, the Group's debt to equity ratio was deficit approximately 2.97 (2020: approximately 3.58). The decrease in debt to equity ratio was mainly due the increase in loss for the year attributable to the owners of the Company under review. The ratio was calculated by dividing the total liabilities of approximately HK\$3,386,005,000 (2020: approximately HK\$2,867,785,000) by equity attributable to owners of the Company of deficit approximately HK\$1,140,732,000 (2020: approximately HK\$800,347,000). It is confident that the Group would have adequate financial resources to satisfy full repayment of the current liabilities after completion of the Capital Reorganisation (as defined below).

CAPITAL STRUCTURE AND TREASURY POLICIES

Capital Structure

The Group's capital structure as at 31 December 2021 mainly comprised of current assets of approximately HK\$460,370,000 (2020: approximately HK\$460,605,000), current liabilities of approximately HK\$3,091,036,000 (2020: approximately HK\$2,391,163,000) and equity attributable to owners of the Company of deficit approximately HK\$1,140,732,000 (2020: approximately HK\$800,347,000). Current assets mainly comprised of (i) cash and cash equivalents of approximately HK\$20,733,000 (2020: approximately HK\$15,763,000); (ii) inventories of approximately HK\$236,893,000 (2020: approximately HK\$276,383,000); and (iii) prepayments, deposits and other receivables of approximately HK\$185,358,000 (2020: approximately HK\$153,456,000). Current liabilities mainly comprised of (i) bank loans and other borrowings of approximately HK\$1,388,375,000 (2020: approximately HK\$1,235,068,000); (ii) trade and bill payables of approximately HK\$273,541,000 (2020: approximately HK\$201,598,000); and (iii) other payables and accruals of approximately HK\$891,361,000 (including interest payables) (2020: approximately HK\$583,782,000).

Debenture and Bond Issued

Upon the maturity date of convertible bond in an aggregate principal amount of HK\$250,000,000 ("CB") on 28 December 2018, the Group entered into standstill deed in relation to turn into a Bond with a principal amount of HK\$250,000,000 at a price equal to 100% of its principal amount to Sfund International, having made all reasonable enquires, an independent third party of the Company.

Subscription of Shares under General Mandate

On 7 June 2020, the Company and Mr. Xu Qi Gao (“**Mr. Xu**”) entered into a subscription agreement (the “**Subscription Agreement**”) pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Xu has agreed to subscribe for, the 1,875,000,000 subscription shares (the “**Subscription Shares**”) to Mr. Xu at a price of HK\$0.016 per Subscription Share (the “**Subscription**”). Having made all reasonable enquiry, Mr. Xu is an independent third party of the Company.

The subscription price of HK\$0.016 represents (i) a premium of approximately 42.86% to the average of the closing prices per Share as quoted on the Stock Exchange for the five consecutive trading days prior to the date of the Subscription Agreement of approximately HK\$0.0112; and (ii) a premium of approximately 14.29% to the closing price of HK\$0.014 per Share as quoted on the Stock Exchange on 5 June 2020, being the last trading date before the date of the Subscription Agreement.

The gross proceeds from the Subscription would be approximately HK\$30 million. The net proceeds from the Subscription, after deducting professional fees and other related expenses, amounted to approximately HK\$29,800,000 (at HK\$0.0159 per Subscription Share). The Company intended to apply the net proceeds for (i) payment of the first instalment of the settlement sum under the settlement agreement entered into between the Company and the Petitioner on 7 June 2020; (ii) repayment of other indebtedness of the Group; and (iii) general working capital of the Group.

It is considered that the Subscription could strengthen the financial position of the Group and provide additional working capital to the Group’s future development and obligations.

On 5 August 2020, 1,875,000,000 Subscription Shares were issued and allotted to Mr. Xu under the Subscription.

Please refer to the announcements of the Company dated 7 June 2020 and 5 August 2020 for details of the Subscription.

Treasury Policies

During the year ended 31 December 2021, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. It is not considered 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 2021 and 2020, the Group did not employ any financial instruments for hedging purpose and was not engaged in foreign currency speculative activities.

BANK LOANS AND OTHER BORROWING AND CHARGES OF GROUP ASSETS

As at 31 December 2021, the Group had bank loans and other borrowings in current liabilities and non-current liabilities amounted to approximately HK\$1,399,387,000 (2020: HK\$1,441,716,000). As at 31 December 2021, the Group's interest bearing bank loans were carried at effective interest rates from 6.09% to 30% 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, (iii) pledged property, plant and equipment; and (iv) pledged prepaid land lease.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no significant contingent liabilities (2020: Nil).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2021, the Group employed 669 full time employees (2020: 763 employees). Employees' remuneration packages are generally structured by reference to market norms, individual qualifications, relevant experience and performance.

DIVIDEND

No dividend is recommended for the year ended 31 December 2021.

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 ended 31 December 2021.

WINDING UP OF THE COMPANY BY THE COURT

On 16 May 2022, the Company was ordered to be wound up by the High Court of Hong Kong and the Official Receiver by virtue of her office becomes the Provisional Liquidator of the Company.

Pursuant to an Order dated 18 July 2022 granted by the Hong Kong Court of First Instance, Ms. So Kit Yee Anita and Mr. Tsui Chi Chiu of Ernst & Young Transactions Limited of 27/F One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong SAR were appointed as the Joint and Several Liquidators of the Company (the "**Joint and Several Liquidators**").

On 27 September 2022, the Company has submitted a resumption proposal (the “**Resumption Proposal**”) to the Stock Exchange to seek resumption of trading of the Shares. The Resumption Proposal, sets out, actions taken and proposed to be taken by the Company to fulfill the resumption conditions, including among other things, (i) details of the reorganization of the capital of the Company by way of share consolidation, capital reduction, share sub-division and share premium reduction (the “**Capital Reorganisation**”); (ii) injection of funds by way of subscription of Shares by the investor, Huatune Corporation; (iii) application of whitewash waiver to The Securities and Futures Commission of Hong Kong; (iv) the business plan for the Group’s compliance with rule 13.24 of the Listing Rules; and (v) implementation of the schemes of arrangement to be entered into between the Company and its creditors under Part 13 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, subject to any modification, addition or condition approved or imposed by the High Court of Hong Kong.

CHANGE IN DIRECTORS’ INFORMATION

During the year ended 31 December 2021 and up to the date of this announcement, the following changes in the composition of the board of the Company (the “**Board**”) and Board committees took place:

- (i) Mr. Yeung Yat Chuen has resigned as an independent non-executive director of the Company (the “**Director(s)**”) and ceased to be a member of the audit committee of the Board (the “**Audit Committee**”) and the chairman of the remuneration committee of the Board (the “**Remuneration Committee**”) with effect from 30 June 2020.
- (ii) Ms. Guo Xiao Ying (“**Ms. Guo**”) has been appointed as an independent non-executive Director and a member of the Audit Committee with effect from 29 September 2020. Ms. Guo has been appointed as the chairman of the Remuneration Committee with effect from 9 November 2021.

Ms. Guo has resigned as an independent non-executive Director and ceased to be a member of the Audit Committee and the chairman of the Remuneration Committee with effect from 1 April 2022.

- (iii) Mr. Zhao Jian has resigned as an executive Director and ceased to be the chairman of the Remuneration Committee with effect from 21 October 2021.
- (iv) Mr. Shen Jian has been appointed as an executive Director and a member of the Remuneration Committee with effect from 9 November 2021.

- (v) Mr. Wong Wai Chun Alex (“**Mr. Wong**”) has resigned as an independent non-executive Director and ceased to be the chairman of the Audit Committee, a member of each of the Remuneration Committee and the financial reporting committee of the Board with effect on 15 December 2021.
- (vi) Mr. Zhang Jia Kun has resigned as an executive Director and ceased to be a member of each of the corporate governance committee and the financial reporting committee of the Board with effect from 19 January 2022.
- (vii) Dato Dr. Cheng Chak Ho Tony (“**Dato Dr. Cheng**”) has resigned as an independent non-executive Director and ceased to be a member of each of the Audit Committee, the Remuneration Committee and the corporate governance committee of the Board with effect from 1 April 2022.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2021, the Company had applied the principles of the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 of the Listing Rules and complied with all the applicable code provisions of the Code, except the following code provisions:

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

Mr. Yang Ying Min, being the chairman and chief executive officer 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. It was considered 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.

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

Under the code provision A.5.1 of the Code, the Company should establish a nomination committee of the Board 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, it was considered that the setting up of a nomination committee of the Board may not be necessary given the scale of the Board and the Company. The Board was 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 reviewed the Policy annually to ensure the effectiveness of the Policy.

The Company considers that sufficient measures had been taken to ensure that the Company complied with the Code for the year ended 31 December 2021.

The Company will periodically review and improve its corporate governance practices with reference to the latest development of relevant corporate governance requirements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has 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 2021.

NON-COMPLIANCE WITH THE LISTING RULES IN RELATION TO BOARD COMPOSITION

1. The total number of independent non-executive Directors accounts for less than one-third of the Board as required under Rule 3.10A of the Listing Rules;
2. The number of independent non-executive Directors and the number of members of the Audit Committee have become less than three which are below the minimum requirement prescribed under Rules 3.10(1) and 3.21 of the Listing Rules respectively;
3. Since there is no independent non-executive Director, none of the independent non-executive Directors possesses appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules;

4. The Remuneration Committee only consists of one member who is not an independent non-executive Director, and hence the Company does not meet all the requirements of Rule 3.25 of the Listing Rules as the Remuneration Committee does not comprise a majority of independent non-executive Directors as members; and
5. There is a vacancy for the chairman of the Remuneration Committee resulting in non-compliance with the requirement prescribed under Rule 3.25 of the Listing Rules.

The above non-compliances arose due to the resignation of Mr. Wong, Ms. Guo and Dato Dr. Cheng. Pursuant to Rules 3.11 and 3.27 of the Listing Rules, the Company should appoint suitable candidates to fill the vacancies within three months after failing to meet the requirements under the Listing Rules from the date of resignation of Mr. Wong, Ms. Guo and Dato Dr. Cheng respectively.

However, the process of identifying suitable candidates to fill the vacancies in order to re-comply with the Listing Rules was halted since the Company was ordered to be wound up on 16 May 2022 as explained in the section “WINDING UP OF THE COMPANY BY THE COURT” above.

AUDIT COMMITTEE

Following the change of the Board’s composition, there is no member in the Audit Committee. The Annual Results contained herein have not been reviewed by the Audit Committee.

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 Annual Report containing all the information required by the Listing Rules will be despatched to its shareholders and published on the above websites in due course.

CONTINUED SUSPENSION OF TRADING

Trading in the Company’s shares on the Stock Exchange, which was suspended with effect from 9:00 a.m. on 1 April 2021 remains suspended and will continue to be so until further notice.

As the Joint and Several Liquidators were only appointed in mid-2022 and only have limited information in relation to the Group, the Joint and Several Liquidators are not in a position to confirm the completeness, existence and accuracy of the historical results of the Group. The Joint and Several Liquidators do not accept or assume responsibility for these audited consolidated financial statements for any purpose or to any person to whom these audited consolidated financial statements are shown or into whose hands they may come.

Shareholders and potential investors of the Company are advised to exercise extreme caution when dealings in the shares of the Company.

For and on behalf of
North Mining Shares Company Limited
(In Liquidation)
Yang Ying Min
Chairman

Hong Kong, 23 February 2023

As at the date of this announcement, the executive Directors are Mr. Yang Ying Min, Mr. Qian Yi Dong and Mr. Shen Jian.

** For identification purpose only*