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NORTH MINING SHARES COMPANY LIMITED

北方礦業股份有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 433)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the “Board”) of North Mining Shares Company Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
			(Re-presented)
Continuing operations			
Revenue	3	573,367	303,182
Cost of sales		<u>(482,458)</u>	<u>(239,068)</u>
Gross profit		90,909	64,114
Other income and gains	4	47,883	1,174
Research and development costs		(11,975)	(12,416)
General and administrative expenses		(67,599)	(98,030)
Other operating expenses		<u>(41,065)</u>	<u>(27,673)</u>
Profit/(loss) from operations	6	18,153	(72,831)
Finance costs	7	<u>(101,433)</u>	<u>(48,231)</u>
Loss before taxation		(83,280)	(121,062)
Taxation	8	<u>8,621</u>	<u>4,076</u>
Loss for the period from continuing operations		<u>(74,659)</u>	<u>(116,986)</u>

	Six months ended 30 June	
	2019	2018
<i>Notes</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Re-presented)
Discontinued operation		
Loss for the period from discontinued operation	<u>(37,427)</u>	<u>(8,380)</u>
Loss for the period	<u>(112,086)</u>	<u>(125,366)</u>
Attributable to:		
Owners of the Company		
– from continuing operations	<u>(51,060)</u>	<u>(83,962)</u>
– from discontinued operations	<u>(37,427)</u>	<u>(8,380)</u>
	(88,487)	(92,342)
Non-controlling interests	<u>(23,599)</u>	<u>(33,024)</u>
Loss for the period	<u>(112,086)</u>	<u>(125,366)</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	<u>13,615</u>	<u>(110,024)</u>
Other comprehensive income/(loss) for the period	<u>13,615</u>	<u>(110,024)</u>
Total comprehensive loss for the period	<u>(98,471)</u>	<u>(235,390)</u>
Attributable to:		
Owners of the Company	<u>(80,063)</u>	<u>(184,004)</u>
Non-controlling interests	<u>(18,408)</u>	<u>(51,386)</u>
	<u>(98,471)</u>	<u>(235,390)</u>
Loss per share		
From continuing and discontinued operations		
– Basic and diluted, HK cents	<u>(0.41)</u>	<u>(0.43)</u>
From continuing operations		
– Basic and diluted, HK cents	<u>(0.23)</u>	<u>(0.39)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
ASSETS			
<i>Non-Current Assets</i>			
Property, plant and equipment		860,379	894,155
Prepaid lease payments		–	63,076
Mining rights	11	3,264,794	3,296,318
Goodwill		13,403	56,192
Intangible assets		–	337,625
Finance lease receivables		–	3,706
Right-of-use assets		90,288	–
Long-term receivables		470,021	466,664
		<u>4,698,885</u>	<u>5,117,736</u>
<i>Current Assets</i>			
Finance lease receivables		–	1,091
Inventories		481,632	520,772
Trade and bills receivables	12	12,027	23,435
Prepayments, deposits and other receivables		587,570	586,765
Tax recoverables		2,003	1,998
Cash and cash equivalents		27,497	122,533
		<u>1,110,729</u>	<u>1,256,594</u>
Assets classified as disposal group held for sale		<u>667,379</u>	–
Total Current Assets		<u>1,778,108</u>	<u>1,256,594</u>
Total Assets		<u><u>6,476,993</u></u>	<u><u>6,374,330</u></u>
CAPITAL AND RESERVES			
Share capital		343,926	343,926
Reserves		2,073,626	2,153,689
Equity attributable to owners of the Company		2,417,552	2,497,615
Non-controlling interests		1,379,282	1,397,690
Total Equity		<u><u>3,796,834</u></u>	<u><u>3,895,305</u></u>

		30 June	31 December
		2019	2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
LIABILITIES			
<i>Non-Current Liabilities</i>			
Bank loans and other borrowing		692,778	637,396
Lease liabilities		27,101	–
Other payables		65,916	38,204
Deferred tax liabilities		244,718	336,943
		1,030,513	1,012,543
<i>Current Liabilities</i>			
Trade and bill payables	<i>13</i>	177,423	135,313
Other payables and accruals		295,152	188,649
Bank loans and other borrowings		735,193	710,524
Provision for environmental and resources tax		55,053	124,123
Corporate bond		270,000	275,000
Contract liabilities		28,371	32,873
Lease liabilities		3,901	–
		1,565,093	1,466,482
Liabilities associated with disposal group held for sale		84,553	–
Total Current Liabilities		1,649,646	1,466,482
Total Liabilities		2,680,159	2,479,025
Total Equity and Liabilities		6,476,993	6,374,330
Net Current Assets/(Liabilities)		128,462	(209,888)
Total Assets less Current Liabilities		4,827,347	4,907,848
Net Assets		3,796,834	3,895,305

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 10 April 1995 under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at Rooms 2009–18, 20/F., Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Company and its subsidiaries (the “Group”) are (i) investment holdings; (ii) mining operations – exploitation and exploration and trading of mineral resources; (iii) property management operations; and (iv) chemical trading operations.

During the period, the security technologies operations was discontinued.

In the opinion of the directors of the Company (the “Directors”), the Company’s ultimate holding company is China Wan Tai Group Limited, which was incorporated in Hong Kong.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the Unaudited Condensed Consolidated Interim Financial Statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange.

The Unaudited Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2018 which were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA. The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018.

Changes in HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any material impact on the Group's accounting policies.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases ("HKAS 17"), IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under HKFRS 16 is substantially unchanged under HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

Impacts for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised of approximately HK\$90,288,000 of right-of-use assets and of approximately HK\$31,002,000 of lease liabilities as at 30 June 2019. Also in relation to those leases under HKFRS 16, the Group has recognised depreciation, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised of approximately HK\$6,582,000 of depreciation charges from these leases.

The Group has lease contracts for various items of property, plant and equipment. Before the adoption of HKFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straightline basis over the lease term. Any prepaid rent and accrued rent were recognised under trade and other receivables and trade and other payables, respectively. Upon adoption of HKFRS 16, the Group applied a single recognition and measurement approach for all leases, except for lease contracts with a lease term of 12 months or less and do not contain a purchase option (“short-term leases”) and lease contracts for which the underlying asset is of low value (“low-value assets”). The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	At 1 January 2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018	32,506
Lease liabilities relating to operating lease recognised upon application of HKFRS 16	31,002

Set out below are the new accounting policies of the Group upon adoption of HKFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group has applied the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Amounts recognised in the unaudited condensed consolidated financial position and unaudited condensed consolidated statement of profit or loss and other comprehensive income.

The movements of the carrying amounts of the Group's right-of-use assets and lease liabilities during the period are set out below:

	Right of use assets HK\$'000	Lease liabilities HK\$'000
As at 1 January 2019	96,870	32,506
Depreciation expenses	(6,582)	–
Payment of principal and interest	–	(1,055)
	<u> </u>	<u> </u>
As at 30 June 2019	<u><u>90,288</u></u>	<u><u>31,002</u></u>

3. REVENUE

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Re-presented)
Continuing operations		
Sales of molybdenum concentrate	163,795	126,315
Property management fee income	3,208	3,319
Sales of chemical products	406,364	173,548
	<u> </u>	<u> </u>
	<u><u>573,367</u></u>	<u><u>303,182</u></u>

4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Re-presented)
Continuing operations		
Bank interest income	94	301
Loan interest income	43,703	–
Government grant	3,834	–
Sundry income	252	873
	<u> </u>	<u> </u>
	<u><u>47,883</u></u>	<u><u>1,174</u></u>

5. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

	For the six months ended 30 June 2019 (Unaudited)				
	Continuing operations				
	Property management <i>HK\$'000</i>	Mining exploitation <i>HK\$'000</i>	Trading of mineral resources <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>3,207</u>	<u>161,667</u>	<u>2,128</u>	<u>406,365</u>	<u>573,367</u>
Segment results	<u>(13)</u>	<u>55,557</u>	<u>43</u>	<u>(24,018)</u>	31,569
Unallocated income					47,794
Finance cost					(101,433)
Other operating expenses					(41,065)
Unallocated expenses					<u>(20,145)</u>
Loss before taxation					(83,280)
Taxation					<u>8,621</u>
Loss for the period from continuing operations					<u>(74,659)</u>

Other segment information:

	Property management <i>HK\$'000</i>	Mining exploitation <i>HK\$'000</i>	Trading of mineral resources <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation and amortisation	<u>1</u>	<u>44,942</u>	<u>13</u>	<u>18,393</u>	<u>5,574</u>	<u>68,923</u>

For the six months ended 30 June 2018 (Unaudited)

Continuing operations

	Property management <i>HK\$'000</i>	Mining exploitation <i>HK\$'000</i>	Trading of mineral resources <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>3,319</u>	<u>121,403</u>	<u>4,912</u>	<u>173,548</u>	<u>303,182</u>
Segment results	<u>(24)</u>	<u>37,942</u>	<u>(406)</u>	<u>(57,385)</u>	<u>(19,873)</u>
Unallocated income					1,176
Unallocated expenses					<u>(102,365)</u>
Loss before taxation					(121,062)
Taxation					<u>4,076</u>
Loss for the period from continuing operations					<u><u>(116,986)</u></u>

Other segment information:

Continuing operations

	Property management <i>HK\$'000</i>	Mining exploitation <i>HK\$'000</i>	Trading of mineral resources <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation and amortisation	<u>1</u>	<u>27,904</u>	<u>4</u>	<u>7,281</u>	<u>3,156</u>	<u>38,346</u>

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

As at 30 June 2019

(Unaudited)

	Continuing operations					Discontinued operation		
	Property management <i>HK\$'000</i>	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>	Sub Total <i>HK\$'000</i>	Sale of security technologies products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>567,788</u>	<u>4,374,834</u>	<u>1,902</u>	<u>497,525</u>	<u>336,601</u>	<u>5,809,614</u>	<u>667,379</u>	<u>6,476,993</u>
Segment liabilities	<u>1,545</u>	<u>803,179</u>	<u>975</u>	<u>674,229</u>	<u>1,115,678</u>	<u>2,595,606</u>	<u>84,553</u>	<u>2,680,159</u>

As at 31 December 2018

(Audited)

	Property management <i>HK\$'000</i>	Mining exploitation <i>HK\$'000</i>	Trading of mineral resources <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Sale of security technologies products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
	Segment assets	<u>585,520</u>	<u>4,006,322</u>	<u>368,123</u>	<u>489,739</u>	<u>145,390</u>	<u>779,236</u>
Segment liabilities	<u>367</u>	<u>817,397</u>	<u>–</u>	<u>565,552</u>	<u>10,434</u>	<u>1,085,275</u>	<u>2,479,025</u>

6. LOSS FROM OPERATIONS

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Re-presented)
Continuing operations		
Depreciation of property, plant and equipment	27,858	10,403
Depreciation of right-of-use assets*	6,582	6,023
Director's emoluments	1,698	691
Staff costs (including directors' remuneration)		
– Wages and salaries	11,263	11,059
– Retirement benefits contributions	778	994
Amortisation of mining rights*	<u>34,483</u>	<u>24,726</u>

* Included in other operating expenses.

7. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Imputed interest on convertible bonds	–	19,118
Interest on bank loans and other borrowings wholly repayable within five years	<u>101,433</u>	<u>29,113</u>
	<u>101,433</u>	<u>48,231</u>

8. TAXATION

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Current tax:		
People's Republic of China ("PRC") corporate income tax	—	—
Deferred tax	<u>(8,621)</u>	<u>(4,076)</u>
	<u><u>(8,621)</u></u>	<u><u>(4,076)</u></u>

- (i) The provision for Hong Kong Profits Tax is calculated at 8.25% on assessable profits up to HK\$2,000,000; and 16.5% on any part of assessable profits over HK\$2,000,000 (2018: 16.5% of the estimated assessable profits) for the period. No provision for Hong Kong Profits Tax has been made in the interim financial statements as at Group's operations in Hong Kong incurred a tax loss for the period (30 June 2018: Nil).
- (ii) PRC income tax charge represents the PRC Enterprise Income Tax paid or payable during the period. Enterprise Income Tax in the PRC has been provided at the prevailing rate.

9. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

10. LOSS PER SHARE

(a) Basic loss per share

For continuing and discontinued operations

The calculation of the basic loss per share from continuing and discontinued operations attributable to owners of the Company of approximately HK\$88,487,000 for six months ended 30 June 2019 (six months ended 30 June 2018: HK\$92,342,000) and the weighted average number of 21,495,386,286 shares in issue during the period (six months ended 30 June 2018: 21,495,386,286).

For continuing operations

Basic loss per share for continuing operations is HK\$0.23 cents per share (2018: loss per share of HK\$0.39 cents per share), which was based on the loss for the period from continuing operations of approximately HK\$51,060,000 (2018: loss of approximately HK\$83,962,000).

For discontinued operation

Basic loss per share for the discontinued operation is HK\$0.18 cents per share (2018: loss per share of HK\$0.04 cents per share), which was based on the loss for the period from the discontinued operations of approximately HK\$37,427,000 (2018: loss of approximately HK\$8,380,000).

(b) Diluted loss per share

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 periods ended 30 June 2019 and 30 June 2018.

11. MINING RIGHTS

As at 30 June 2019, the Group has two mining exploitation rights in respect of a molybdenum mine and a potassium Feldspar Mine in the PRC.

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

12. TRADE AND BILLS RECEIVABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade and bills receivables	12,027	44,864
Less: Allowance for credit losses	—	(21,429)
	<u>12,027</u>	<u>23,435</u>

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

	30 June	31 December
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0–30 days	2,657	11,780
31–60 days	8,240	–
61–90 days	1,066	1,182
91–180 days	–	272
Over 180 days but within one year	64	10,201
	<u>12,027</u>	<u>23,435</u>

13. TRADE AND BILLS PAYABLES

	30 June	31 December
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0–30 days	38,492	28,889
31–60 days	39,095	9,715
61–90 days	48,517	4,858
91–180 days	41,731	43,097
Over 180 days but within one year	9,588	48,754
	<u>177,423</u>	<u>135,313</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL FINANCIAL PERFORMANCE

For the six months ended 30 June 2019, North Mining Shares Company Limited (the “Company”) and its subsidiaries (collectively the “Group”) recorded a revenue of approximately HK\$573,367,000 from continuing operations (30 June 2018: approximately HK\$303,182,000 from continuing operations), representing an increase of 89% over the same period in 2018. Such increase was mainly attributable to the Group’s (i) mining operation and (ii) chemical trading operation, which generated approximately HK\$163,795,000 and HK\$406,365,000 respectively during the reporting period.

During the period under review, the loss recorded by the Group was approximately HK\$74,659,000 from continuing operations (30 June 2018: approximately HK\$116,986,000 from continuing operations), representing a decrease in loss of approximately 36% over the same period in 2018, such decrease was mainly attributable to the increase in gross profits of continuing operations and decrease in general and administrative expenses.

BUSINESS REVIEW

The principal activities of the Group are: (i) mining operations – exploitation and trading of mineral resources; (ii) property management operations; and (iii) chemical trading operations – manufacturing and sale of chemical products (Collectively named “continuing operations”). During the period, security technologies operations – research, development and sale of security technologies products was discontinued (“discontinued operations”). An analysis of each of these business segments is presented below:

Continuing operations

Mining Operations – Exploitation and Exploration and Trading of Mineral Resources

During the period under review, the volume of molybdenum concentrate produced was about 1,977 tonnes (30 June 2018: 1,461 tonnes), whereas the grade of molybdenum concentrate was approximately 45%-50%. The average selling price of molybdenum concentrate was approximately HK\$73,320 per tonne. During the period under review, the mining operation contributed a revenue of approximately HK\$163,795,000 (30 June 2018: approximately HK\$126,315,000) to the Group, of which approximately HK\$147,486,000 was contributed by sales of molybdenum concentrate (30 June 2018: approximately HK\$122,736,000) and approximately HK\$16,309,000 was contributed by sales of sulfuric acid and iron concentrate (30 June 2018: approximately HK\$3,579,000). During the six months ended 30 June 2019, the Group recognised an amortisation of mining rights of approximately HK\$34,483,000 (30 June 2018: approximately HK\$24,726,000).

Property management operations

During the period under review, the performance of the Group's property management operations was relatively stable. For the six months ended 30 June 2019, the turnover generated from the property management operation was approximately HK\$3,207,000, representing similar to the corresponding period of last year of HK\$3,319,000.

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. For the six months ended 30 June 2019, revenue generated from this segment to the Group was approximately HK\$406,365,000.

Discontinued operation

Security technologies operations

The Group's security technologies operations mainly includes research and development of face recognition technologies in the PRC. Our security technologies and service were provided by Xinjiang Casiavision Security Technology Company Limited and Xinjiang Xintongxing Telecommunication Engineering Company Limited ("Xinjiang Group"), which were wholly owned subsidiaries of the Company.

Material Transaction

On 28 March 2019, the Group entered into a sale and purchase agreement with the former shareholders of Xinjiang Group for the disposal of the entire equity interests in Full Empire Investment Holding Limited at the consideration of HK\$430,000,000 ("S&P Agreement").

On 31 May 2019, as additional time is required to prepare and finalise certain information to be included in the circular for the disposal, the Group announced that it expected that the despatch date of the circular will be postponed to a date falling on or before 30 June 2019.

On 2 July 2019 and 1 August 2019, the Group further announced that as additional time is required to prepare and finalise certain information to be included in the circular, it is expected that the despatch date of the circular will be postponed to a date falling on or before 31 July 2019 and 31 August 2019, respectively.

On 7 August 2019, the Group announced that as additional time is required for the fulfilment of the conditions precedent in the S&P Agreement, the parties to the S&P Agreement entered into a supplemental agreement on 7 August 2019 to extend the long stop date for fulfilment or waiver by the Repurchaser of the conditions precedent of the S&P Agreement to 31 October 2019 or such later date as may be agreed by the parties to the S&P Agreement. Save as disclosed above, all other terms and conditions of the S&P Agreement remain unchanged and in full force and effect in all respects.

Details of this disposal are disclosed in the announcements issued by the Company on 28 March 2019, 31 May 2019, 2 July 2019, 1 August 2019 and 7 August 2019.

FUND RAISING EXERCISE

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

PROSPECTS

Looking forward, the global economy is still facing lots of uncertainties, such as the international financial crisis, slowdown of global economy, Sino-US trade war, all these have posed great challenges to the global economy. However, the Group is still confident that the Chinese government can solve the dispute in an effective way and the Chinese economy can keep on growing smoothly.

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 is expected that the demand for molybdenum in China will keep increasing. It is expected that the molybdenum market will continue to improve in the second half of 2019.

Potassium market

Potassium feldspar can be produced into potash fertilizer, which can enrich the soil and enhance harvest. Over-supply in the potash fertilizer industry still persists, but China's urbanization and agricultural supply-side reform have accelerated the development of a new large scale agricultural industry, and mechanization, automation and intelligent agricultural will be the direction of future development of the industry. Consumption upgrade and the supply-side structural reform have created huge demand for modern agricultural services and quality agricultural products. The aforesaid conditions have provided opportunities for our future development.

Security business market

Xinjiang's public security has always been a concern to the Chinese government. The government is gradually enhancing the security control on different aspects and along the boundary line, and has started to manage the urban and rural areas with the help of online systems. As Chinese government will continue to improve the social security system and will demand for more security systems, so we envisage a bright future for our security business. However, due to the uncertainty on the development of the security systems that involve advance technology to fulfill the ever-changing environment, the Group decided to sell back the security business to its former shareholders to avoid the economic risk associated with the security business.

Chemical business market

China has stringent regulatory requirements for safety and environmental protection, which have inevitably created short-term operation pressure on the chemicals manufacturing industry. However, corporate with competitive advantage on environmental protection will eventually capture the opportunities emerged in an operation environment with sound regulation. The Group will continue to invest on safety and environmental protection, impose stringent control over its costs, enhance its production efficiency, and will formulate effective marketing strategy to meet the challenges of increasing competition in the market.

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

LITIGATION

As disclosed in the Company's announcements dated 12 July 2019, 25 July 2019, 21 August 2019 and 26 August 2019 respectively, a petition (the "Petition") was filed in the Court of First Instance of the High Court of Hong Kong against the Company for failure to settle an indebted sum of HK\$170,492,494.31. On the hearing before the High Court on 26 August 2019, the Court has ordered the hearing for the Petition be adjourned to 30 September 2019 in order to allow for more time for the parties to file their respective affirmations.

Save as disclosed above, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance, and so far as the Directors were aware, no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and proceeds from suitable source of funding. During the period under review, the Group recorded a net cash outflow of approximately HK\$95,036,000 (30 June 2018: cash outflow of approximately HK\$29,392,000). The cash outflow was mainly due to the cash outflow of approximately HK\$182,012,000 from the Group's operating activities. The Group also had a net cash inflow from financing activities contributed by borrowing of approximately HK\$88,434,000. The current ratio as at 30 June 2019 was approximately 1.07 as contrasted by 0.86 as at 31 December 2018. As at 30 June 2019, the debt to equity ratio as at 30 June 2019 was approximately 1.11 as contrasted by 0.99 as at 31 December 2018. The Board considered that the Group had a healthy financial position and had enough resources to satisfy its working capital requirement.

CAPITAL COMMITMENT

As at 30 June 2019, the Group did not have material capital commitment.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2019 (2018: Nil).

CAPITAL STRUCTURE

The capital structure of the Group as at 30 June 2019 has been summarised below:

	30 June 2019	31 December 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Total current assets	1,750,500	1,256,594
Total current liabilities	1,649,646	1,466,482
Shareholders' equity	<u>3,796,834</u>	<u>3,895,305</u>

TREASURY POLICIES

During the six months ended 30 June 2019, the major currencies on which principal business activities of the Group used were mainly denominated in Hong Kong dollars and Renminbi. The Board does not consider the Group is significantly exposed to any foreign currency exchange risks. It is the Group's treasury policy to manage its foreign currency exposure whenever such financial impact is material to the Group. For the six months ended 30 June 2019, the Group did not employ any financial instrument for hedging purpose and was not engage in foreign currency speculative activities.

BORROWINGS AND BANKING FACILITIES

As at 30 June 2019, the Group had borrowings of approximately HK\$1,427,971,000 (31 December 2018: approximately HK\$1,347,920,000).

CONTINGENT ASSETS AND LIABILITIES

As at 30 June 2019, the Group had no significant contingent assets and liabilities.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2019, the Group employed 576 (31 December 2018: 688) full time employees in Hong Kong and the PRC. Employee remuneration packages are structured and reviewed with reference to the nature of jobs, market condition and individual merits. The Group also provides other employees benefits which include year-end double pay, mandatory provident fund and medical insurance. Total staff costs for the six months ended 30 June 2019 were approximately HK\$11,263,000.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period of the six months ended 30 June 2019.

CHANGES IN THE INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the change in the information of Directors during the period of the six months ended 30 June 2019 is set out below:

Mr. Wong Wai Chun Alex has been appointed as an independent non-executive director, the Chairman of the Audit Committee, a member of the Remuneration Committee and Financial Reporting Committee with effect from 29 April 2019;

Mr. William Fong has resigned as an independent non-executive director, the Chairman of the Audit Committee, a member of the Remuneration Committee and Financial Reporting Committee with effect from 29 April 2019;

Mr. Yeung Yat Chuen has been appointed as an independent non-executive director, the Chairman of the Remuneration Committee and a member of the Audit Committee with effect from 28 July 2019;

Mr. Leung Kar Fai has resigned as an independent non-executive director, the Chairman of the Remuneration Committee and a member of the Audit Committee with effect from 28 July 2019.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2019, the Company has applied the principles of the Corporate Governance Code (“the Code”) as set out in Appendix 14 of the Listing Rules and complied with all the applicable code provisions of the Code, except the following code provisions:

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

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

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

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

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

The Company has set out a board diversity policy (the “Policy”) for achieving diversity on board of directors of the Company. The Policy provide a sustainable and balanced development in Company’s strategic objectives. The Board review the Policy annually and ensure the effectiveness of the Policy.

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

Due to personal and other important engagement at the relevant time, Mr. Wong Wai Chun Alex and Dato Dr. Cheng Chak Ho were absent from the 2019 annual general meeting of the Company.

The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than the Code.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company confirmed that all Directors had fully complied with the required standard set out in the Model Code for the six months ended 30 June 2019.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Mr. Wong Wai Chun Alex, Dato Dr. Cheng Chak Ho and Mr. Yeung Yat Chuen. The audit committee shall review the interim and annual financial statement of the Group before their submission to the Board of the Company for approval, and review the effectiveness of the financial reporting system, risk management and internal control system of the Group. The audit committee has reviewed the Group's interim results for the six months ended 30 June 2019.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

The result announcement is published on the website of the Stock Exchange at www.hkexnews.com.hk and the Company's website at www.northmining.com.hk. The 2019 interim report of the Company containing all the information required by the Listing Rules will be dispatched to its shareholders and published on the above websites in due course.

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

Hong Kong, 28 August 2019

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 Mr. Zhao Jian as Executive Directors; and Mr. Wong Wai Chun Alex, Dato Dr. Cheng Chak Ho and Mr. Yeung Yat Chuen as Independent Non-executive Directors.