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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 2020**

The board (the “Board”) of directors (the “Directors”, each a “Director”) 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 2020, together with the comparative figures for the corresponding period in 2019:

#### **UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the six months ended 30 June 2020*

		<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Continuing operations</b>			
<b>Revenue</b>	3	<b>125,484</b>	573,367
Cost of sales		<b>(75,215)</b>	(482,458)
<b>Gross profit</b>		<b>50,269</b>	90,909
Other income	4	<b>61,786</b>	47,883
Research and development costs		<b>(3,462)</b>	(11,975)
General and administrative expenses		<b>(55,057)</b>	(67,599)
Other gains and losses	6	<b>90,427</b>	(41,065)
<b>Profit from operations</b>		<b>143,963</b>	18,153
Finance costs	7	<b>(152,914)</b>	(101,433)
<b>Loss before taxation</b>	8	<b>(8,951)</b>	(83,280)
Taxation	9	<b>3,037</b>	8,621
<b>Loss for the period from continuing operations</b>		<b>(5,914)</b>	(74,659)

		<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Discontinued operations</b>			
Loss for the period from discontinued operations		–	(37,427)
Loss for the period		<u><b>(5,914)</b></u>	<u>(112,086)</u>
<b>Attributable to:</b>			
Owners of the Company			
– from continuing operations		<b>22,071</b>	(51,060)
– from discontinued operations		–	(37,427)
		<u><b>22,071</b></u>	<u>(88,487)</u>
Non-controlling interests		<u><b>(27,985)</b></u>	<u>(23,599)</u>
<b>Loss for the period</b>		<u><b>(5,914)</b></u>	<u>(112,086)</u>
<b>Other comprehensive income (Net of tax effect):</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign subsidiaries		<u><b>20,798</b></u>	<u>13,615</u>
<b>Other comprehensive income for the period</b>		<u><b>20,798</b></u>	<u>13,615</u>
<b>Total comprehensive income/(loss) for the period</b>		<u><b>14,884</b></u>	<u>(98,471)</u>
<b>Attributable to:</b>			
Owners of the Company		<b>42,087</b>	(80,063)
Non-controlling interests		<u><b>(27,203)</b></u>	<u>(18,408)</u>
		<u><b>14,884</b></u>	<u>(98,471)</u>
<b>Earning/(Loss) per share</b>			
From continuing and discontinued operations			
– Basic and diluted, HK cents	<i>11</i>	<u><b>0.10</b></u>	<u>(0.41)</u>
From continuing operations			
– Basic and diluted, HK cents		<u><b>0.10</b></u>	<u>(0.23)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 30 June 2020*

	<i>Notes</i>	<b>30 June 2020</b> <i>HK\$'000</i> <b>(Unaudited)</b>	31 December 2019 <i>HK\$'000</i> <b>(Audited)</b>
<b>ASSETS</b>			
<i>Non-Current Assets</i>			
Property, plant and equipment		<b>746,552</b>	779,928
Mining rights	12	<b>2,583,020</b>	2,615,579
Goodwill		<b>13,403</b>	13,403
Right-of-use assets		<b>54,585</b>	60,289
Long-term receivables		<b>466,056</b>	446,804
		<u><b>3,863,616</b></u>	<u>3,916,003</u>
<i>Current Assets</i>			
Inventories		<b>447,006</b>	426,106
Trade and bills receivables	13	<b>5,884</b>	1,235
Current portion of long-term receivables		<b>424,466</b>	396,765
Prepayments, deposits and other receivables		<b>438,727</b>	402,322
Cash and cash equivalents		<b>29,343</b>	18,446
		<u><b>1,345,426</b></u>	<u>1,244,874</u>
<b>Total Assets</b>		<u><b>5,209,042</b></u>	<u>5,160,877</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>343,926</b>	343,926
Reserves		<b>1,412,157</b>	1,410,199
Equity attributable to owners of the Company		<b>1,756,083</b>	1,754,125
Non-controlling interests		<b>882,477</b>	909,680
<b>Total Equity</b>		<u><b>2,638,560</b></u>	<u>2,663,805</u>

		<b>30 June 2020</b>	31 December 2019
	<i>Notes</i>	<i>HK\$'000</i> <b>(Unaudited)</b>	<i>HK\$'000</i> <b>(Audited)</b>
<b>LIABILITIES</b>			
<i>Non-Current Liabilities</i>			
Bank loans and other borrowing		<b>514,255</b>	524,658
Lease liabilities		<b>1,074</b>	1,091
Other payables		<b>16,190</b>	16,448
Deferred tax liabilities		<b>226,411</b>	234,924
		<u><b>757,930</b></u>	<u>777,121</u>
<i>Current Liabilities</i>			
Trade and bill payables	14	<b>173,951</b>	141,324
Other payables and accruals		<b>398,939</b>	328,806
Bank loans and other borrowings		<b>830,403</b>	856,787
Provision for environmental and resources tax		<b>53,095</b>	53,935
Corporate bond		<b>322,898</b>	301,299
Contract liabilities		<b>28,597</b>	33,531
Lease liabilities		<b>4,669</b>	4,269
		<u><b>1,812,552</b></u>	<u>1,719,951</u>
<b>Total Liabilities</b>		<u><b>2,570,482</b></u>	<u>2,497,072</u>
<b>Total Equity and Liabilities</b>		<u><b>5,209,042</b></u>	<u>5,160,877</u>
<b>Net Current Liabilities</b>		<u><b>(467,126)</b></u>	<u>(475,077)</u>
<b>Total Assets less Current Liabilities</b>		<u><b>3,396,490</b></u>	<u>3,440,926</u>
<b>Net Assets</b>		<u><b>2,638,560</b></u>	<u>2,663,805</u>

# 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 issued shares of the Company are listed on the Main Board of 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 Group are (i) investment holdings; (ii) mining operations – exploitation, exploration and trading of mineral resources; (iii) property management operations; and (iv) chemical trading operations.

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

In the opinion of 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 2019 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 2020 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

### Changes in HKFRSs

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest rate benchmark reform

The adoption of these amendments to HKFRSs does not have a material impact on the Group's results and financial positions for the current or prior periods. The Group have not applied any new standard or amendment that is not effective for the current accounting period.

### 3. REVENUE

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Continuing operations</b>		
Sales of molybdenum concentrate	86,685	163,795
Property management fee income	2,753	3,208
Sales of chemical products	36,046	406,364
	<u>125,484</u>	<u>573,367</u>

### 4. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Continuing operations</b>		
Bank interest income	32	94
Loan interest income	37,763	43,703
Imputed interest income from long-term receivables	21,308	–
Government grant	1,835	3,834
Sales of by-products	848	252
	<u>61,786</u>	<u>47,883</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 2020 (Unaudited)				
	Continuing operations				
		Mining 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>	Total <i>HK\$'000</i>
Segment revenue	<u>2,753</u>	<u>86,685</u>	<u>–</u>	<u>36,046</u>	<u>125,484</u>
Segment results	<u>(2,053)</u>	<u>37,592</u>	<u>(249)</u>	<u>(25,479)</u>	<u>9,811</u>
Unallocated income					61,094
Finance cost					(152,914)
Other gains and losses					90,427
Unallocated expenses					<u>(17,369)</u>
Loss before taxation					(8,951)
Taxation					<u>3,037</u>
Loss for the period from continuing operations					<u>(5,914)</u>

Other segment information:

	Mining operation					Total <i>HK\$'000</i>
	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>	
Capital expenditures	9	3,201	–	1,252	–	4,462
Depreciation and amortisation	<u>2</u>	<u>27,772</u>	<u>18</u>	<u>17,601</u>	<u>4,736</u>	<u>50,129</u>

For the six months ended 30 June 2019 (Unaudited)

Continuing operations

	Mining operation				Total HK\$'000
	Property management HK\$'000	Mining exploitation HK\$'000	Trading of mineral resources HK\$'000	Trading of chemical products HK\$'000	
Segment revenue	3,207	161,667	2,128	406,365	573,367
Segment results	(13)	55,557	43	(24,018)	31,569
Unallocated income					47,794
Finance cost					(101,433)
Other gains and losses					(41,065)
Unallocated expenses					(20,145)
Loss before taxation					(83,280)
Taxation					8,621
Loss for the period from continuing operations					(74,659)

Other segment information:

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

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

**As at 30 June 2020  
(Unaudited)**

	Mining operation				Unallocated HK\$'000	Total HK\$'000
	Property management HK\$'000	Mining exploitation HK\$'000	Trading of mineral resources HK\$'000	Trading of chemical products HK\$'000		
Segment assets	1,648	3,302,594	354,444	349,392	1,200,964	5,209,042
Segment liabilities	2,934	499,923	176	576,243	1,491,206	2,570,482



As at 31 December 2019  
(Audited)

	Mining operation				Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
	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>		
Segment assets	<u>769</u>	<u>3,309,829</u>	<u>360,117</u>	<u>332,104</u>	<u>1,158,058</u>	<u>5,160,877</u>
Segment liabilities	<u>–</u>	<u>543,160</u>	<u>–</u>	<u>504,909</u>	<u>1,449,003</u>	<u>2,497,072</u>

## 6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
<b>Continuing operations</b>		
Amortisation of prepaid lease payments	(2,851)	(2,928)
Amortisation of mining rights	(19,507)	(34,483)
Depreciation of right-of-use assets	(1,968)	(3,654)
Gain on modification of loan	112,313	–
Gain on disposal of property, plant and equipment	2,440	–
	<u>90,427</u>	<u>(41,065)</u>

## 7. FINANCE COSTS

	Six months ended 30 June	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
<b>Continuing operations</b>		
Interest on bank loans and other borrowings wholly repayable within five years	<u>152,914</u>	<u>101,433</u>

## 8. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charges:

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Continuing operations</b>		
Depreciation of property, plant and equipment	25,803	27,858
Depreciation of right-of-use assets*	1,968	6,582
Director's emoluments	1,672	1,698
Staff costs (including directors' remuneration)		
– Wages and salaries	16,639	11,263
– Retirement benefits contributions	1,129	778
Amortisation of mining rights*	19,507	34,483

\* Included in other gains and losses

## 9. TAXATION

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Continuing operations</b>		
Current tax:		
– People's Republic of China ("PRC") corporate income tax	1,840	–
Deferred tax	(4,877)	(8,621)
	<u>(3,037)</u>	<u>(8,621)</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 (2019: 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 2019: Nil).
- (ii) PRC corporate 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.

## 10. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## 11. EARNING/LOSS PER SHARE

### (a) Basic earning/loss per share

#### *For continuing and discontinued operations*

The calculation of the basic earning per share is based on the profit attributable to owners of the Company of approximately HK\$22,071,000 for six months ended 30 June 2020 (six months ended 30 June 2019 from continuing and discontinued operations: loss of approximately HK\$88,487,000) and the weighted average number of 21,495,386,286 shares in issue during the period (six months ended 30 June 2019: 21,495,386,286).

#### *For continuing operations*

Basic earning per share for continuing operations is HK\$0.10 cents per share for the six months ended 30 June 2020 (six months ended 30 June 2019: loss per share of HK\$0.23 cents per share) which was based on the profit for the period from continuing operations of approximately HK\$22,071,000 (six months ended 30 June 2019: loss of approximately HK\$51,060,000).

#### *For discontinued operation*

No basic earning per share for the discontinued operation for six months ended 30 June 2020 (six months ended 30 June 2019: loss per share of HK\$0.18 cents per share and loss of approximately HK\$37,427,000).

### (b) Diluted earning/loss per share

No diluted earning/loss per share is presented as there were no potential ordinary shares in issue for the period ended 30 June 2020 (30 June 2019: Nil).

## 12. MINING RIGHTS

As at 30 June 2020, 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.

**13. TRADE AND BILLS RECEIVABLES**

	<b>30 June 2020 <i>HK\$'000</i> (Unaudited)</b>	31 December 2019 <i>HK\$'000</i> (Audited)
Trade and bills receivables	<b>6,829</b>	2,195
Less: Allowance for credit losses	<b>(945)</b>	(960)
	<b><u>5,884</u></b>	<u>1,235</u>

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

	<b>30 June 2020 <i>HK\$'000</i> (Unaudited)</b>	31 December 2019 <i>HK\$'000</i> (Audited)
0–30 days	<b>41</b>	476
31–60 days	<b>4,828</b>	–
61–90 days	–	15
91–180 days	<b>307</b>	37
Over 180 days but within one year	<b>708</b>	707
	<b><u>5,884</u></b>	<u>1,235</u>

**14. TRADE AND BILLS PAYABLES**

	<b>30 June 2020 <i>HK\$'000</i> (Unaudited)</b>	31 December 2019 <i>HK\$'000</i> (Audited)
0–30 days	<b>31,232</b>	56,235
31–60 days	<b>5,805</b>	94
61–90 days	<b>5,873</b>	33,283
91–180 days	<b>33,814</b>	12,680
Over 180 days but within one year	<b>97,227</b>	39,032
	<b><u>173,951</u></b>	<u>141,324</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERALL FINANCIAL PERFORMANCE**

For the six months ended 30 June 2020, the Group recorded a revenue of approximately HK\$125,484,000 from continuing operations (30 June 2019: approximately HK\$573,367,000 from continuing operations), representing a decrease of approximately 78.11% over the same period in 2019. That was mainly due to the decline in product sales of (i) mining operation and (ii) chemical trading operation, which generated approximately HK\$86,685,000 and HK\$36,046,000 respectively during the reporting period.

During the period under review, the loss recorded by the Group was approximately HK\$5,914,000 from continuing operations (30 June 2019: approximately HK\$74,659,000 from continuing operations), representing a decrease in loss of approximately 92.08% over the same period in 2019, such decrease was mainly attributable to the increase in other gains and other income.

### **BUSINESS REVIEW**

The principal activities of the Group are: (i) mining operations – exploitation, exploration and trading of mineral resources; (ii) property management operations; and (iii) chemical trading operations – manufacturing and sale of chemical products (collectively named “continuing operations”). In 2019, security technologies operations – research, development and sale of security technologies products was discontinued (the “discontinued operations”). An analysis of each of these business segments is presented below:

#### **Mining Operations — Exploitation, Exploration and Trading of Mineral Resources**

During the period under review, the volume of molybdenum concentrate produced was about 1,176 tonnes (30 June 2019: 1,977 tonnes), whereas the grade of molybdenum concentrate was approximately 45%–50%. The average selling price of molybdenum concentrate was approximately HK\$60,180 per tonne. During the period under review, the mining operation contributed a revenue of approximately HK\$86,685,000 (30 June 2019: approximately HK\$163,795,000) to the Group, of which approximately HK\$75,111,000 was contributed by sales of molybdenum concentrate (30 June 2019: approximately HK\$147,486,000) and approximately HK\$11,574,000 was contributed by sales of sulfuric acid and iron concentrate (30 June 2019: approximately HK\$16,309,000). During the six months ended 30 June 2020, the Group recognised an amortisation of mining rights of approximately HK\$19,507,000 (30 June 2019: approximately HK\$34,483,000).

#### **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 2020, the revenue generated from the property management operation was approximately HK\$2,753,000, representing a decrease of approximately 14.02% to the corresponding period of last year of HK\$3,207,000.

## **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 New Material Technology Company Limited, a non-wholly owned subsidiary of the Company. For the six months ended 30 June 2020, revenue generated from this segment to the Group was approximately HK\$36,046,000.

## **Material Transaction**

On 28 March 2019, the Group entered into a sale and purchase agreement with the former shareholders of Xinjiang Casiavision Security Technology Company Limited and Xinjiang Xintongxing Telecommunication Engineering Company Limited ("Xinjiang Group") for the disposal of the entire equity interests in Full Empire Investment Holding Limited at the consideration of HK\$430,000,000 (the "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.

On 28 October 2019, the Group had completed the disposal of Xinjiang Group.

On 21 May 2020, the Repurchaser and the Company entered into a supplemental agreement in relation to the disposal (the "Supplemental Agreement"). According to the Supplemental Agreement, the Repurchaser and the Company agreed that the outstanding balance of the consideration, being a total sum of HK\$406,639,400, shall be settled by instalments in the following manner: (1) HK\$200,000,000 shall be paid on 28 March 2021; and (2) HK\$206,639,400 shall be paid on 28 March 2022.

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, 7 August 2019, 28 October 2019 and 21 May 2020.

## **FUND RAISING EXERCISE**

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

## **PROSPECTS**

The world has experienced many unexpected shocks in first half of 2020. The global economy remains 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 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 2020.

### **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.

### **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 challenging 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**

### **The Winding Up Petition in Hong Kong**

On 27 May 2019, the Company received a winding up petition dated 27 May 2019 filed in the Court of First Instance of the High Court of Hong Kong (the “Hong Kong Court”) by Natu Investment Management 1 Company Limited as petitioner (the “Petitioner”) against the Company for failure to settle an indebted sum of HK\$170,492,494.31 (the “Hong Kong Petition”).

The Company engaged in negotiations with the Petitioner, with the view of reaching a settlement in respect of the Hong Kong Petition and the Bermuda Petition.

On 7 June 2020, the Company entered into a settlement agreement (the “Settlement Agreement”) with the Petitioner for an out-of-court settlement of the Petition in Hong Kong. According to the Settlement Agreement, the Company and the Petitioner applied to the Hong Kong Court, among other things, to dismiss the Hong Kong Petition and ask for no order as to costs of the Hong Kong Petition by a consent summons dated 12 June 2020.

On 22 June 2020, the Honourable Mr. Justice Harris pronounced the order, among other things, to dismiss the Hong Kong Petition and to make no order as to costs of the Hong Kong Petition.

Please refer to the announcements of the Company dated 7 June 2020 and 22 June 2020 in relation to the dismissal of the Hong Kong Petition for further details.

### **Appointment of the Joint Provisional Liquidators and the Winding-Up Hearing In Bermuda**

To facilitate the Company’s financial restructuring, on 28 October 2019 (Bermuda time), a winding up petition together with an application for the appointment (the “JPL Application”) of TANG Chung Wah and KAN Lap Kee of Shinewing Specialist Advisory Services Limited and Edward Alexander Niles Whittaker of R&H Services Limited be appointed as joint and several provisional liquidators of the Company on a light touch basis for restructuring purposes only was presented and filed with the Supreme Court of Bermuda (the “Bermuda Court”) by the Company’s Bermuda Counsel, Walkers (Bermuda) Limited at the request of the Company.



The JPL Application was heard before the Bermuda Court on 1 November 2019. The Bermuda Court made the orders as sought by the Company under the JPL Application, inter alia, (i) HOU Chung Man and KAN Lap Kee of Shinewing Specialist Advisory Services Limited and Edward Alexander Niles Whittaker of R&H Services Limited be appointed as joint and several provisional liquidators of the Company (together “JPLs”) on a light touch approach for restructuring purpose (the “Bermuda Court Order”); and (ii) a letter of request (the “Letter of Request”) be issued by the Bermuda Court to the High Court of Hong Kong to request, among other things, recognition of the Bermuda Court Order and the appointment of the JPLs such that the Bermuda Court Order shall be treated in all respects in the same manner as if they have been made by the High Court of Hong Kong. On the same day, Justice Subair Williams issued the Letter of Request.

At the first hearing of the winding up petition before the Bermuda Court on 15 November 2019, Justice Subair Williams granted an adjournment of the petition to 31 January 2020 in order to allow time for the JPLs to prepare a report on the restructuring progress of the Company. The Bermuda Court on 31 January 2020 granted an adjournment of the winding up petition to 1 May 2020 in order to allow time for the restructuring to be completed by way of a creditors’ scheme of arrangement.

On 7 June 2020, the Company entered into a settlement agreement with the Petitioner for an out-of-court settlement of the Hong Kong Petition (the “Settlement Agreement”). According to the Settlement Agreement, the Bermuda legal representative of the Company had filed a summons to withdraw the winding up petition in the Bermuda Court on 10 June 2020 (Bermuda time). The Bermuda Court confirmed receipt of the Withdrawal Application on 16 July 2020 but a hearing date has not yet been fixed. The Bermuda Court will list this application for hearing subject to its availability.

The hearing in relation to the withdrawal of the Bermuda Petition was heard on 27 July 2020 (Bermuda time). The Supreme Court of Bermuda ordered to withdraw the Bermuda Petition, to discharge the joint provisional liquidators of the Company and to make no order as to costs in the Bermuda Petition.

Please refer to the announcements of the Company dated 7 June 2020 and 28 July 2020 in relation to the dismissal of the Bermuda Petition for further details.

## **EXECUTION OF SETTLEMENT AGREEMENT FOR THE WINDING UP PETITIONS IN THE BERMUDA AND HONG KONG**

As disclosed in the Company’s announcement dated 7 June 2020, the Company entered into the Settlement Agreement with the Petitioner for an out-of-court settlement of the Petition in Hong Kong.

The Company and the Petitioner agreed and confirmed that for the purposes of the Settlement Agreement the outstanding total balance is HK\$119,948,632.00 (the “Indebtedness”), being the principal of the Note in the amount of HK\$106,596,344.67 and interest in the sum of HK\$13,352,287.33 accrued in accordance with the amended interest rate.

According to the Settlement Agreement, the Company agreed to repay to the Petitioner the Indebtedness in the manner as set out in the Settlement Agreement in full and final settlement, satisfaction and discharge of its claim (inclusive of the Petitioner's legal costs in the Hong Kong Petition and in the Bermuda Petition) against the Company in the Hong Kong Petition.

The Company and the Petitioner were arranged their legal representatives to endorse by way of the Consent Summons in the agreed form to (1) dismiss the Petition; (2) to vacate the hearing for the Petition returnable on 17 June 2020 at 10:00 a.m. before the Honourable Mr. Justice Harris with one day reserved; and (3) to ask for no order as to costs of the Petition, including costs of the Consent Summons.

Please refer to the announcements of the Company dated 7 June 2020 and 5 August 2020 in relation to (1) the execution of the Settlement Agreement for the winding up petitions in the Bermuda and Hong Kong, (2) subscription of new shares under general mandate; and (3) completion of subscription of new shares under general mandate for further details.

## **OTHER LITIGATIONS**

- (1) On 6 May 2020, a Writ of Summons was issued by Worth Bright Company Limited ("Worth Bright") as plaintiff against the Company (the "Action 1"). Worth Bright claimed, among other things, for the outstanding rent owed by the Company to Worth Bright, the accrued interest and cost pursuant to the tenancy agreement entered between Worth Bright as landlord and the Company as tenant.

The Company is engaging in negotiation with Worth Bright, with the view to reaching a settlement in respect of the Action 1.

- (2) On 6 June 2019, 2 August 2019 and 10 July 2020, a Writ of Summons was issued by Hang Lung Real Estate Agency Limited ("Hang Lung") as plaintiff against the Company (the "Action 2"). Hang Lung claimed, among other things, for the outstanding rent owed by the Company to Hang Lung, the cost pursuant to the tenancy agreement entered between Hang Lung as landlord and the Company as tenant.

The Company is engaging in negotiation with Hang Lung, with the view to reaching a settlement in respect of the Action 2.

## **POSSIBLE SUBSCRIPTION**

As disclosed in the announcement of the Company dated 18 September 2019, the Company (as issuer) entered into the non-legally binding memorandum of understanding dated 18 September 2019 (the “MOU”) with SFund International Investment Fund Management Limited (“SFund International”) and Mr. Qian Yi Dong (as potential subscribers) (the “Potential Subscribers”) and the MOU set out the preliminary understandings of the parties in relation to the possible subscription for the new shares of the Company (the “Subscription Shares”) by the Potential Subscribers (the “Possible Subscription”).

The MOU recorded the intention of the Potential Subscribers (subject to signing of the formal agreement) to subscribe for the Subscription Shares, the subscription amount of which is expected to be settled by (i) cash; and (ii) settlement of the principal amount of the non-convertible bonds in the principal amount of HK\$250,000,000 issued by the Company and currently held by SFund International. It is also intended that the Potential Subscribers will own more than 30% of the enlarged issued share capital of the Company immediately upon completion of the Possible Subscription.

If the Possible Subscription materialises, immediately after completion of the Possible Subscription, the Potential Subscribers and the parties acting in concert with any of them will in aggregate be interested in more than 30% of the enlarged issued share capital of the Company.

As at the date of this announcement, the Potential Subscribers and the Company require further time to negotiate the structure and terms of the Possible Subscription. No concrete terms of the Possible Subscription has been finalised.

## **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 inflow of approximately HK\$10,097,000 (30 June 2019: cash outflow of approximately HK\$95,036,000). The cash inflow was mainly due to the net cash inflow from financing activities contributed by borrowing of approximately HK\$38,395,000. The current ratio as at 30 June 2020 was approximately 0.74 as contrasted by 0.72 as at 31 December 2019. As at 30 June 2020, the debt to equity ratio as at 30 June 2020 was approximately 1.46 as contrasted by 1.42 as at 31 December 2019. 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 2020, 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 2020 (2019: Nil).

## CAPITAL STRUCTURE

The capital structure of the Group as at 30 June 2020 has been summarised below:

	<b>30 June 2020</b>	31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Total current assets	<b>1,345,426</b>	1,244,874
Total current liabilities	<b>1,812,552</b>	1,719,951
Shareholders' equity	<b><u>2,638,560</u></b>	<b><u>2,663,805</u></b>

## TREASURY POLICIES

During the six months ended 30 June 2020, 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 2020, 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 2020, the Group had borrowings of approximately HK\$1,344,658,000 (31 December 2019: approximately HK\$1,381,445,000).

## CONTINGENT ASSETS AND LIABILITIES

As at 30 June 2020, the Group had no significant contingent assets and liabilities.

## HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2020, the Group employed 597 (31 December 2019: 576) full time employees in Hong Kong and the PRC. Employees' remuneration packages are generally structured by reference to market norms, individual qualifications, relevant experience and performance. Total staff costs for the six months ended 30 June 2020 were approximately HK\$16,639,000.

## 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 2020.

## **CHANGE IN DIRECTORS' INFORMATION**

During the period of the six months ended 30 June 2020 and up to the date of this announcement, the following changes in the composition of the Board took place:

Mr. Yeung Yat Chuen has resigned as an independent non-executive Director, a member of the audit committee (the "Audit Committee") and the chairman of the remuneration committee of the Board (the "Remuneration Committee") with effect from 30 June 2020, and

Mr. Zhao Jian ("Mr. Zhao"), an executive Director, has been appointed as the chairman of the Remuneration Committee with effect from 30 June 2020.

For further details, please refer to the announcement of the Company dated 30 June 2020.

## **MATERIAL EVENT AFTER THE REPORTING PERIOD**

### **Subscription of New 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 to Mr. Xu at a price of HK\$0.016 per Subscription Share. To the best of the Directors' knowledge, information and belief and 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 will 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 intends 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.

The Directors are of the view that the Subscription can strengthen the financial position of the Group and provide additional working capital to the Group to meet any 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.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Throughout the six months ended 30 June 2020, the Company has applied the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “Code”) except for the following deviations. Also, the non-compliance of Rules 3.10(1) and 3.21 of the Listing Rules is explained below.

### **CODE PROVISIONS A.2.1, A.5.1, A.6.7 and E.1.2**

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.

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 the Board’s diversity. The Policy provide a sustainable and balanced development in the Company’s strategic objectives. The Board review the Policy annually and ensure the effectiveness of the Policy.

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 annual general meeting of the Company held on 31 July 2020 (the “2019 AGM”).

Under the code provision E.1.2 of the Code, the chairman of the Board should attend the annual general meeting of the Company.

However, Mr. Yang, the chairman of the Board, was on business trip outside Hong Kong and could not attend the 2019 AGM. Mr. Zhao, executive Director, was entrusted to preside as the chairman of the 2019 AGM.

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.

### **RULES 3.10(1) AND 3.21 OF THE LISTING RULES**

Under Rule 3.10(1) of the Listing Rules stipulating that the Board shall comprise at least three independent non-executive directors; and (ii) Rule 3.21 of the Listing Rules which stipulates that the audit committee shall comprise a minimum of three members.

On 30 June 2020, Mr. Yeung Yat Chuen resigned as an independent non-executive Director, a member of the Audit Committee and the Chairman of the Remuneration Committee. Following the resignation of Mr. Yeung, the Company was non-compliance with Rules 3.10(1) and 3.21 of the Listing Rules which stipulate that the Board must include at least three independent non-executive Directors and the audit committee must comprise a minimum of three members, respectively. Currently, the Company has only two independent non-executive Directors, namely Mr. Wong Wai Chun Alex and Dato Dr. Cheng Chak Ho and two members of Audit Committee, namely Mr. Wong Wai Chun Alex (Chairman of the Audit Committee) and Dato Dr. Cheng Chak Ho.

As of the date of this announcement, the Company was unable to identify and appoint a suitable candidate to fill the vacancies of the independent non-executive Director and a member of the Audit Committee after the resignation of Mr. Yeung Yat Chuen.

The Company will continue to make every effort to look for an appropriate person to fill the vacancy of independent non-executive Director and a member of Audit Committee and will ensure compliance with the said Rules as soon as possible.

### **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct governing the Directors' transactions of listed securities of the Company. Following a specific enquiry made by the Company with each of the Directors, all Directors confirmed that they had complied with the standards as set out in the Model Code for the six months ended 30 June 2020.

## **AUDIT COMMITTEE**

The Audit Committee comprises two independent non-executive Directors, namely Mr. Wong Wai Chun Alex and Dato Dr. Cheng Chak Ho. The Audit Committee has reviewed the interim and annual financial statement of the Group before their submission to the Board 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 2020.

## **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](http://www.hkexnews.com.hk) and the Company's website at [www.northmining.com.hk](http://www.northmining.com.hk). The 2020 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 2020

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