

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



NORTH MINING SHARES COMPANY LIMITED

北方礦業股份有限公司

(In Liquidation)

(Incorporated in Bermuda with limited liability)

(Stock Code: 433)

**ANNOUNCEMENT OF AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 2022 (the “**Annual Results**”).

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

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations			
Revenue	3	1,295,666	1,350,367
Cost of sales		<u>(1,108,585)</u>	<u>(1,204,431)</u>
Gross profit		187,081	145,936
Other income		2,820	3,943
Research and development cost		(32,048)	(36,626)
(Impairment)/Reversal of losses under expected credit loss, net		(542)	2,333
Other gains and losses		(103,351)	(111,989)
Administrative expenses		<u>(159,824)</u>	<u>(162,490)</u>
Loss from operations		(105,864)	(158,893)
Finance costs		<u>(140,030)</u>	<u>(301,194)</u>
Loss before income tax	5	(245,894)	(460,087)
Taxation	6	<u>(164)</u>	<u>(9)</u>
Loss for the year from continuing operations		<u>(246,058)</u>	<u>(460,096)</u>
Discontinued operations			
Gain for the year from discontinued operations		<u>–</u>	<u>3,339</u>
Loss for the year		<u>(246,058)</u>	<u>(456,757)</u>
Other comprehensive income/(expense) (Net of tax effect):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign subsidiaries		8,828	(4,077)
Release of exchange difference upon disposal of foreign subsidiaries		<u>–</u>	<u>4,981</u>
Other comprehensive income for the year		<u>8,828</u>	<u>904</u>
Total comprehensive expense for the year		<u>(237,230)</u>	<u>(455,853)</u>

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Loss for the year attributable to owners of the Company			
from continuing operations		(162,643)	(359,902)
from discontinued operations		—	2,170
		<u>(162,643)</u>	<u>(357,732)</u>
Loss for the year attributable to non-controlling interests			
from continuing operations		(83,415)	(100,194)
from discontinued operations		—	1,169
		<u>(83,415)</u>	<u>(99,025)</u>
Loss for the year		(246,058)	(456,757)
		<u>(246,058)</u>	<u>(456,757)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(185,767)	(340,385)
Non-controlling interests		(51,463)	(115,468)
		<u>(237,230)</u>	<u>(455,853)</u>
Total comprehensive expense attributable to owners of the Company:			
from continuing operations		(185,767)	(345,793)
from discontinued operations		—	5,408
		<u>(185,767)</u>	<u>(340,385)</u>
Loss per share			
From continuing and discontinued operations			
— Basic and diluted, HK cents	8	(0.70)	(1.53)
		<u>(0.70)</u>	<u>(1.53)</u>
From continuing operations			
— Basic and diluted, HK cents	8	(0.70)	(1.54)
		<u>(0.70)</u>	<u>(1.54)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
ASSETS			
Non-Current assets			
Property, plant and equipment		699,942	662,835
Mining rights		852,585	926,430
Goodwill		13,403	13,403
Right-of-use assets		44,018	54,119
		<u>1,609,948</u>	<u>1,656,787</u>
Current assets			
Inventories		271,949	236,893
Trade and bill receivables	9	9,468	17,386
Prepayments, deposits and other receivables		114,291	185,358
Cash and cash equivalents		11,344	20,733
		<u>407,052</u>	<u>460,370</u>
TOTAL ASSETS		<u>2,017,000</u>	<u>2,117,157</u>
CAPITAL AND RESERVES			
Share capital		373,926	373,926
Reserves		(1,700,425)	(1,514,658)
Equity attributable to owners of the Company		(1,326,499)	(1,140,732)
Non-controlling interests		(179,579)	(128,116)
TOTAL EQUITY		<u>(1,506,078)</u>	<u>(1,268,848)</u>

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
LIABILITIES			
Non-Current liabilities			
Bank loans and other borrowings		16,890	11,012
Lease liabilities		7,589	8,502
Deferred tax liabilities		237,384	257,945
Other payables		–	17,510
		<u>261,863</u>	<u>294,969</u>
Current liabilities			
Trade and bill payables	<i>10</i>	286,444	273,541
Other payables and accruals		1,022,009	891,361
Contract liabilities		222,963	44,049
Bank loans and other borrowings		1,325,375	1,388,375
Provision for environmental and resources tax		–	105,428
Lease liabilities		236	227
Corporate bond		404,188	388,048
Tax payables		–	7
		<u>3,261,215</u>	<u>3,091,036</u>
TOTAL LIABILITIES		<u>3,523,078</u>	<u>3,386,005</u>
TOTAL EQUITY AND LIABILITIES		<u>2,017,000</u>	<u>2,117,157</u>
NET CURRENT LIABILITIES		<u>(2,854,163)</u>	<u>(2,630,666)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(1,244,215)</u>	<u>(973,879)</u>
NET LIABILITIES		<u>(1,506,078)</u>	<u>(1,268,848)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). 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**”) and by the Hong Kong Companies Ordinance.

2.2 Going concern

The Group sustained a loss of approximately HK\$246,058,000 for the year ended 31 December 2022 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK\$2,854,163,000 and HK\$1,506,078,000 respectively. 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 of the Company have careful consideration for the 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 the following measures:

- I. On 21 February 2023, the Company, the Joint and Several Liquidators and Huatune Corporation* (華豚(集團)有限公司) (the "**Investor**") have entered into the conditional restructuring agreement ("**Restructuring Agreement**"), pursuant to which the Company will carry out the restructuring transactions involving:
 - (i) The directors of the Company proposed to reorganise the share capital of the Company by:
 - (a) Share Consolidation: every 20 issued and unissued shares of the Company of par value of HK\$0.016 will be consolidated into 1 consolidated share of par value of HK\$0.32 each ("**Consolidated Share**");
 - (b) Capital Reduction: immediately after the Share Consolidation becoming effective, the par value of every issued Consolidated Share be reduced from HK\$0.32 to HK\$0.02 by the reduction of HK\$0.30, giving rise to a credit balance of approximately HK\$350,556,000 on the basis of 1,168,519,314 Consolidated Shares then in issue. The credit arising therefrom will be applied to set off the accumulated loss of the Company, and the balance of the credit, if any, will be transferred to the contributed surplus account of the Company;
 - (c) Immediately following the Capital Reduction becoming effective, each of the authorised but unissued Consolidated Shares of HK\$0.32 each will be subdivided into 16 unissued new shares of HK\$0.02 each ("**New Shares**"); and
 - (d) Share Premium Reduction: the amount of approximately HK\$3,761,932,000 standing to the credit of the Share Premium Account be reduced to nil and that the credit arising therefrom be transferred to the contributed surplus account of the Company within the meaning of the Companies Act and the total credit of arising therefrom will be applied to further set off the accumulated loss of the Company as at 31 December 2021.

* *The English translation of Chinese names is for identification purpose only*

- (ii) Under the Restructuring Agreement, the Investor agreed to subscribe 256,410,256 New Shares of the Company immediately upon the Capital Reorganisation at subscription price of HK\$0.156 per share;
- (iii) Pursuant to the terms of the exclusivity agreement dated 8 September 2022 entered into between the Company, the Joint and Several Liquidators and the Investor, the Investor has agreed to provide the credit facility of up to HK\$21,500,000 to the Company; and
- (iv) The Company proposed a scheme (“**Scheme**”) to implement, subject to the approval by the High Court. Under the Scheme, the Company will allot and issue 11,086,710,807 New Shares to the creditors to compromise, discharge and/or settle the debts owing by the Company to the creditors in full.

II. The Group will continue to carry out cost control measurement in forthcoming years, including but not limited to reduce discretionary expenses and administrative costs.

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 and other income is as follows:

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Continuing operations		
Revenue:		
Sales of molybdenum concentrate	221,332	179,534
Sales of chemical products	<u>1,074,334</u>	<u>1,170,833</u>
	<u><u>1,295,666</u></u>	<u><u>1,350,367</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 two 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 of a non-wholly owned subsidiary, Shaanxi Jiulong Import and Export Trading Company Limited, which engaged in trading of mineral resources to commercial premises in the People’s Republic of China (“**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 2022

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>221,332</u>	<u>1,074,334</u>	<u>1,295,666</u>
Results:			
Segment results	(14,913)	(90,844)	(105,757)
Unallocated corporate income			80
Finance costs			(140,030)
Other gains or losses			4,218
Impairment losses under expected credit loss, net			(542)
Unallocated corporate expenses			<u>(3,863)</u>
Loss before income tax			(245,894)
Income tax			<u>(164)</u>
Loss for the year from continuing operations			<u>(246,058)</u>

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	(138,846)	4,669	(134,177)
Unallocated corporate income			41
Finance costs			(301,194)
Other gains or losses			(8,197)
Reversal of losses under expected credit loss, net			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>

- (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 or loss incurred by each segment without allocation of corporate income and expenses, some amount of other gains or losses, impairment loss under expected credit loss, net, 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 HK\$'000	Trading of chemical products HK\$'000	Unallocated HK\$'000	Total HK\$'000
As at 31 December 2022				
Segment assets	<u>1,501,088</u>	<u>477,774</u>	<u>38,138</u>	<u>2,017,000</u>
Segment liabilities	<u>1,108,860</u>	<u>946,099</u>	<u>1,468,119</u>	<u>3,523,078</u>
	Mining exploitation HK\$'000	Trading of chemical products HK\$'000	Unallocated HK\$'000	Total HK\$'000
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>

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

	Continuing operation			
	Mining exploitation	Trading of chemical products	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December 2022				
Depreciation and amortisation	24,225	38,142	5,412	67,779
Capital expenditures	151,730	2,760	–	154,490

	Continuing operation			
	Mining exploitation	Trading of chemical products	Unallocated	Total
	<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	76,561	1,146	–	77,707

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			
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	–	–	78	102
The PRC	<u>1,295,666</u>	<u>1,350,367</u>	<u>2,016,922</u>	<u>2,117,055</u>
	<u>1,295,666</u>	<u>1,350,367</u>	<u>2,017,000</u>	<u>2,117,157</u>

Information about major customers

For the year ended 31 December 2022, there was no customer contributing over 10% of total revenue (2021: none).

5. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations		
Auditors' remuneration	1,320	1,320
Cost of inventories recognised as an expense	1,108,585	1,204,431
Depreciation of property, plant and equipment	61,591	54,823
Depreciation of right-of-use assets	6,188	6,904
Provision for environmental and resources tax ^(Note)	–	103,792
Staff costs (including directors' remuneration)		
— Wages and salaries	55,790	52,520
— Retirement benefits contributions	6,879	8,872
	<u>6,879</u>	<u>8,872</u>

Note: The amount was for renewal of mining licence.

6. TAXATION

No provision for Hong Kong Profits Tax has been made since the Group incurred taxation losses for the year. Taxes on profits assessable elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations		
Current tax:		
— PRC corporate income tax	<u>164</u>	<u>9</u>

Hong Kong profits tax is calculated at 16.5% (2021: 16.5%) on the estimated assessable profit for the year ended 31 December 2022. No provision for Hong Kong Profits Tax has been made since the Group incurred taxation losses for the year ended 31 December 2022.

PRC corporate income tax charge represents the PRC Enterprise Income Tax paid or payable during the year. Enterprise Income Tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2021: 25%).

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 of the Company do not recommend the payment of any final dividend in respect of the year ended 31 December 2022 (2021: 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/Profit attributable to owners of the Company		
— from continuing operations	(162,643)	(359,902)
— from discontinued operations	—	2,170
	<u>(162,643)</u>	<u>(357,732)</u>
Number of shares		
Number of ordinary shares in issue during the year	<u>23,370,386</u>	<u>23,370,386</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 2022 (2021: Nil).

9. TRADE AND BILL RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade and bill receivables	11,159	18,537
Less: Allowance for credit losses	<u>(1,691)</u>	<u>(1,151)</u>
	<u>9,468</u>	<u>17,386</u>

As at 31 December 2022 and 2021, trade receivables from contracts with customers amounted to HK\$11,159,000 and HK\$18,537,000, respectively.

As at 31 December 2022, allowance for credit losses was recognised approximately of HK\$1,691,000 (2021: HK\$1,151,000). The range of expected loss rate is from 36.40% to 38.00% (2021: 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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	9,462	6,604
31–60 days	6	7,105
61–90 days	–	2,166
91–180 days	–	–
Over 180 days but within one year	–	1,511
	<u>9,468</u>	<u>17,386</u>

For the year ended 31 December 2022, 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 (2021: Nil).

The directors of the Company 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	4,472	8,521
31–60 days	3,101	4,997
61–90 days	55,986	12,583
91–180 days	67,672	189,490
Over 180 days but within one year	155,213	57,950
	<u>286,444</u>	<u>273,541</u>

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

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is the extract of the independent auditor’s report from the external auditor of the Company:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, 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.

Material Uncertainty Related to Going Concern

We draw attention to note 1.3 to the consolidated financial statements that the Group sustained a loss of HK\$246,058,000 for the year ended 31 December 2022 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK\$2,854,163,000 and HK\$1,506,078,000 respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. In light of the measures to improve the Group’s liquidity and financial position as set forth in note 1.3 to the consolidated financial statements, the directors of the Company are of the opinion 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 2022, the Group recorded a revenue of approximately HK\$1,295,666,000 from continuing operations, representing a decrease of approximately 4.05% as compared with last corresponding year of approximately HK\$1,350,367,000 from continuing operations. The revenue was mainly attribute to the Group's mining operation and chemical trading operation as same as last corresponding year.

For the year ended 31 December 2022, the Group recorded a loss attributable to owners of the Company of approximately HK\$162,643,000 from continuing operations (2021: loss of approximately HK\$359,902,000 from continuing operations), representing a decrease in loss of approximately 54.81% as compared with last corresponding year. Such decrease in loss for the year ended 31 December 2022 was mainly due to decrease in finance costs of approximately 53.51% of the Group as compared to last corresponding year.

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 2022, 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 2022, no molybdenum concentrate was produced (2021: 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\$108,077 per tonne (2021: approximately HK\$81,977 per tonne). During the year ended 31 December 2022, the mining operation contributed a revenue of approximately HK\$221,332,000 (2021: approximately HK\$179,534,000) to the Group, of which approximately HK\$194,124,000 was contributed by sales of molybdenum concentrate (2021: approximately HK\$143,471,000) and approximately HK\$27,208,000 was contributed by sales of sulfuric acid and iron concentrate (2021: approximately HK\$36,063,000). Gross profit was approximately HK\$98,187,000 (2021: HK\$58,325,000) and the gross profit margin was 44.36% (2021: 32.49%), representing a increase of 11.87% 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 (2021: 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 2022, 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 2022, 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\$1,420,367,000. 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 2022 (2021: 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 New Material Technology Company Limited, a non-wholly owned subsidiary of the Company. During the year ended 31 December 2022, the Group's revenue generated from chemical trading operation was approximately HK\$1,074,334,000 (2021: approximately HK\$1,170,833,000).

As at 31 December 2022, the major assets included in the Group's chemical trading operation were property, plant and equipment of approximately HK\$132,155,000. 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 2022 (2021: 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

As we enter 2023, our Group is striving to build resilience in a time of uncertainty.

The economic outlook remains uncertain in 2023. Global economies will continue to face multiple macroeconomic headwinds, including geopolitical uncertainties, inflation and tightened financial conditions. Many industries are still plagued by supply chain issues that emerged in recent years. Ongoing inflation and subdued economic growth are expected. In order to combat this, our Group aims to improve our resilience in through strategic management, development and expansion of our two core businesses as well as building protective measures into supply chains to deal with shortages and rising business costs.

For mining operation, the Group has successful renewed the mining licence of molybdenum mine and will further invest in and upgrade the mining operation machine system in production to improve the production efficiency, safety and environmental level. For chemical operation, through research and development and additional production facilities, we continue to improve our product quality and increase our product competitiveness.

The Group will continue to be receptive to the market's views candidly and humbly. It will endeavor to maintain effective communication with stakeholders. As a way to gauge capital markets' perception of the Group, we will continue to improve the quality of investor relations management and will ponder on investors' concerns and advices in order to further enhance the Group's operating management and cooperate governance. The investor relations department will maintain professionalism at its work so that capital markets will be able to gain a thorough understanding of the Group's business. This will help unlock the potential investment value and contribute to the long term and healthy development of the Group.

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 2023.

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 2022, the Group recorded a cash outflow of approximately HK\$496,000 (2021: inflow of approximately HK\$3,360,000) which was mainly due to increase in cash outflow from investing activities during the year ended 31 December 2022. As at 31 December 2022, the Group had outstanding bank loans and other borrowings at the amount of approximately HK\$1,342,265,000 (2021: approximately HK\$1,399,387,000).

As at 31 December 2022, the Group's current ratio was approximately 0.12 (2021: approximately 0.15). The decrease in current ratio was mainly due to payment of environmental and resource tax of approximately HK\$105,428,000 during the year ended 31 December 2022.

As at 31 December 2022, the Group's debt to equity ratio was deficit approximately 2.66 (2021: approximately 2.97). The decrease in debt to equity ratio was mainly due the decrease 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\$3,523,078,000 (2021: approximately HK\$3,386,005,000) by equity attributable to owners of the Company of deficit approximately HK\$1,326,499,000 (2021: approximately HK\$1,140,732,000). 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 2022 mainly comprised of current assets of approximately HK\$407,052,000 (2021: approximately HK\$460,370,000), current liabilities of approximately HK\$3,261,215,000 (2021: approximately HK\$3,091,036,000) and equity attributable to owners of the Company of deficit approximately HK\$1,326,499,000 (2021: approximately HK\$1,140,732,000). Current assets mainly comprised of (i) cash and cash equivalents of approximately HK\$11,344,000 (2021: approximately HK\$20,733,000); (ii) inventories of approximately HK\$271,949,000 (2021: approximately HK\$236,893,000); and (iii) prepayments, deposits and other receivables of approximately HK\$114,291,000 (2021: approximately HK\$185,358,000). Current liabilities mainly comprised of (i) bank loans and other borrowings of approximately HK\$1,325,375,000 (2021: approximately HK\$1,388,375,000); (ii) trade and bill payables of approximately HK\$286,444,000 (2021: approximately HK\$273,541,000); and (iii) other payables and accruals of approximately HK\$1,022,009,000 (including interest payables) (2021: approximately HK\$891,361,000).

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.

Treasury Policies

During the year ended 31 December 2022, 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 2022 and 2021, 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 2022, the Group had bank loans and other borrowings in current liabilities and non-current liabilities amounted to approximately HK\$1,342,265,000 (2021: HK\$1,399,387,000). As at 31 December 2022, the Group's interest bearing bank loans and other borrowings were carried at effective interest rates from 4.32% 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 2022, the Group had no significant contingent liabilities (2021: Nil).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2022, the Group employed 708 full time employees (2021: 669 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 2022.

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 2022.

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 2022 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) Ms. Guo Xiao Ying 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.
- (ii) 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.
- (iii) 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 2022, 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 2022.

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 2022.

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.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the consolidated financial statements as set out in this result announcement have been agreed by the Group's independent auditor, Elite Partners CPA Limited, to the amounts set out in the consolidated financial statements for the year ended 31 December 2022. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Elite Partners CPA Limited on this result announcement.

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)
So Kit Yee Anita
Tsui Chi Chiu
Joint and Several Liquidators
acting as agents of the Company only and
without personal liability

Hong Kong, 28 April 2023

According to the information available from the previous announcement made by the Company, immediately before the making of winding up order against the Company by the Court, the Board of the Company comprises Mr. Yang Ying Min, Mr. Qian Yi Dong and Mr. Shen Jian as Executive Directors.

The affairs, business and property of the Company are being managed by the Joint & Several Liquidators who act as agents of the Company only and without personal liability.